



Financial Consumer  
Agency of Canada

Agence de la consommation  
en matière financière du Canada



# Annual Report 2013–2014

FINANCIAL CONSUMER AGENCY OF CANADA  
*Making a difference in the financial lives of Canadians*

Canada

# **Welcome to our Annual Report 2013–14**

## **OUR VISION**

Helping the people of Canada  
strengthen their financial well-being

## **OUR MISSION**

Empower consumers and merchants through  
education to make informed financial decisions  
that best meet their needs, and protect them  
through strong supervision of the federal  
financial sector

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# Highlights 2013–14

**1.3**  
MILLION



consumer publications  
distributed in electronic  
and print formats

**368**  
ENTITIES



regulated to ensure they  
comply with federal  
laws and industry  
commitments protecting  
financial consumers

**1,358**  
CASES



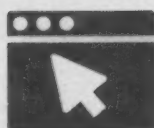
investigated for  
potential or actual  
compliance violations

**91**  
ORGANIZATIONS



participated in Financial  
Literacy Month, led by  
FCAC, with 440+ activities  
offered—up 68% from  
the previous year

**1.5**  
MILLION



Web visits, up 10%  
from the previous  
year and 235% over  
the past three years

**10,334**  
INQUIRIES



answered by telephone,  
email or letter

**6,533**  
FOLLOWERS



on Twitter and over  
14 million users  
reached, up 174%  
year-over-year

**4/5**  
SCORE



average consumer  
satisfaction rating  
of FCAC materials

**1,609**  
MENTIONS



in Canadian publications  
and news sites, up 28%  
from 2012–13.  
Half of the mentions  
related to FCAC's financial  
literacy work.

# Message from the Commissioner

As the new Commissioner, I am honoured to lead FCAC in working to fulfill its expanding mandate, which directly responds to the increasingly complex financial decisions and risks that Canadians face in an ever-changing marketplace.

*Consumer protection and financial education are the two cornerstones of our mandate. They have become more vital than ever to the financial well-being of consumers. This was evident in 2013–14 as our Agency continued to achieve strong results on both fronts.*



## Looking Back

During the year, we conducted more than 1,300 investigations for actual or potential violations by financial entities of the legislation, regulations, and codes of conduct or public commitments that we oversee. The investigations led to the imposition of penalties totalling \$775,000. We also performed an industry review of clear language practices. Our finding: Several financial institutions had developed adequate, clear consumer disclosure policies and procedures, but many institutions had not. We worked with the firms concerned to address all deficiencies.

**LUCIE M.A. TEDESCO**  
Commissioner  
Financial Consumer  
Agency of Canada

To complement our compliance work, we continued intensifying our efforts to educate financial consumers. As a result, we distributed 1.3 million FCAC publications to Canadians, our website attracted 1.5 million visits and our Consumer Services Centre received more than 10,000 inquiries.

Financial Literacy Month was held for the third successive year last November, and the 2013 campaign was the most successful yet in terms of reach and impact. The truly collaborative effort involved 91 organizations, with a shared vision of enhancing the financial well-being of Canadians.

Compared with the past, many financial products and services today require consumers to have a higher level of understanding. For example, digital technologies offer added convenience but may increase risks for consumers. To provide a better grasp of what is at stake, we conducted research on the extent to which consumers are protected when using mobile payments in Canada. Based on our findings, we are now developing information to help consumers better understand this emerging form of payment and its potential risks.

## **Focused on the Future: Six Key Priorities**

In 2013–14, we laid the groundwork for the next stage of FCAC's evolution. We presented a new business plan, delineating six key strategic priorities that will drive our efforts over the next three years:

### ***Lead and coordinate the National Strategy on Financial Literacy***

FCAC has been active on the financial literacy front for many years. Now, we have greater capacity with the appointment of Canada's Financial Literacy Leader, Jane Rooney. The Leader will help us collaborate on and coordinate initiatives for strengthening the financial literacy of Canadians. Together with the public, private and not-for-profit sectors, the Leader will develop Canada's first-ever National Strategy on Financial Literacy and is expected to be released in summer 2015.

### ***Conduct proactive and transparent supervision***

As stated by the Financial Conduct Authority in the U.K., "A major risk for any regulator is a natural tendency to become bound, often unconsciously, to the conventional thinking and approaches of the day." With this in mind, I plan to build a regulatory culture that is more proactive and transparent, and thus more predictable. We need to be clear about our processes and expectations. We need to continue looking for new approaches and perspectives—from our staff, the organizations we regulate, other regulators and subject matter experts. And as we move toward a new principles-based consumer protection framework, these efforts will serve us well.

### ***Strengthen collaboration and engagement with stakeholders***

Trusted relationships are key to achieving richer outcomes. This is true of the relationships we have developed with one another and true of the connections we have established with our stakeholders. We have enjoyed solid ties over the years. It is only through strengthening those relationships that we will achieve greater, more meaningful impacts. Therefore, as a team we will seek to better communicate and collaborate. In our activities, we will increase our stakeholder outreach to keep dialogue open and ongoing.

### ***Promote public awareness of consumer rights and responsibilities***

Over the years, we have developed publications, resources and tools on a variety of topics to help consumers manage their finances. Consequently, we put less emphasis on the promotion of consumers' basic rights and responsibilities in dealing with their financial institutions. We will go back to basics and enhance our promotion of rights and responsibilities, partly by testing the market with a consumer survey and comparing the results with previous benchmarks. We will also engage with institutions so that we can use their networks to reach consumers with our message.

### ***Increase our contribution to financial consumer policy discussions***

Whether through the research we conduct, the compliance data we collect or the daily exchanges we have with Canadians via our Consumer Services Centre, FCAC is well positioned to inform policy discussions on matters of consumer protection and financial education. From now onward, we will take a more formalized and proactive approach to increasing the Agency's contribution to such important discussions.

### ***Leverage our resources and infrastructure to enhance efficiencies***

It is not enough to focus on what we do at FCAC; we must also focus on how we do it. As our duties expand and more is asked of us, we must look at ways of becoming more efficient and productive in delivering our mandate. For me, that means leveraging the experience I gained while working in the private sector. It means having the right people, processes, technology and infrastructure in place as the Agency evolves. And it means managing our resources wisely so that we can successfully do what is expected of us.

## **FCAC is More Relevant Than Ever**

I am proud of the integral role FCAC plays in helping Canadians navigate and succeed in the financial marketplace. As it builds on its experience, I believe that the Agency's greatest achievements still lie ahead.

In today's digital age and dynamic marketplace, our work is more relevant than ever before. Recognizing this, the federal government continues to expand our mandate in step with Canadians' growing need and demand for consumer protection and financial education.

In closing, I wish to thank my team of more than 80 members for making it easy for me to come to work every day. They are devoted, energetic, committed and extremely passionate. They work hard day in, day out to make a meaningful difference for this and future generations of Canadians.

I would also like to express my personal thanks and the Agency's appreciation to former Commissioner Ursula Menke, who completed her five-and-a-half-year term of office in May 2013. She was an extremely dedicated and fervent leader who advanced FCAC in every respect. Our entire team is grateful for the opportunity to have worked with such an innovative and engaged mentor. She will remain an inspiration as we continue to build on her legacy to shape FCAC's future.

I look forward to strengthening this heritage together with our team, partners and stakeholders. Our Agency is ready to thrive as it fulfills a role that will grow along with the ever-growing needs of Canadians.



# About This Report

This annual report presents the performance results and major initiatives of the Financial Consumer Agency of Canada (FCAC, or the Agency) for the fiscal year April 1, 2013, to March 31, 2014.

## Format

This report has been produced in accessible PDF format for viewing online with an Internet connection. Interactive elements make the reading experience more dynamic and engaging. Links direct readers to related information and videos that shed further light on FCAC initiatives.

## References

In this report, dates such as “2013–14,” “2012–13” and “2011–12” refer to the fiscal year starting on April 1 and ending 12 months later on March 31.

All references to “financial institutions,” “financial entities” or “regulated entities” mean those that are federally regulated and are therefore supervised by the Agency.

The term “financial institutions” includes all banks and federally incorporated or registered insurance, trust and loan companies and retail associations.

The term “financial entities” includes all federally regulated financial institutions (FRFIs), as well as payment card network operators and other institutions and organizations that fall under FCAC’s oversight.

References to “consumer provisions” mean the various consumer-related laws and regulations that apply to the entities we regulate.

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### HELP US IMPROVE

- We welcome your ideas to help us improve our reporting. Email us at [info@fcac-acfc.gc.ca](mailto:info@fcac-acfc.gc.ca).

# Who We Are

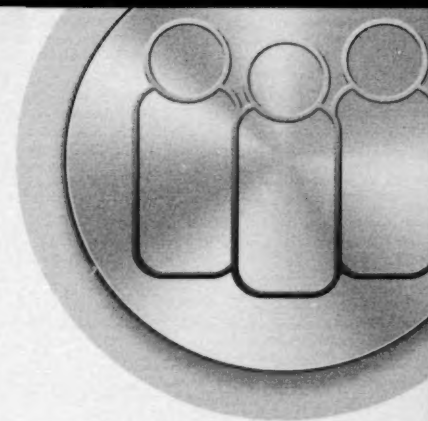
FCAC is a leading source of objective personal financial information for Canadians. We also ensure that federally regulated financial entities (FRFEs) meet their consumer protection obligations.

## Our Role and Mandate

Established in 2001, FCAC is a federal government body with a dual mandate: education and compliance.

Under our **education mandate**, we offer and promote consumer information about financial products, services and issues. We also help Canadians of all ages build their financial skills. In March 2013, FCAC's education mandate expanded when the *Financial Literacy Leader Act* (Bill C-28) came into force. The Act established the position of Financial Literacy Leader within FCAC to provide national leadership in strengthening the financial literacy of Canadians and to collaborate with stakeholders in support of this effort. The first Financial Literacy Leader was appointed on April 15, 2014.

Under our **compliance mandate** and in our capacity as regulator, we oversee consumer protection measures in the federally regulated financial sector.



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### MORE ONLINE:

- [\*Our mandate\*](#)
- [\*FCAC history\*](#)
- [\*Planning and accountability\*](#)

- [\*Watch the video\*](#)



## Our Role and Mandate

### EDUCATION

#### **Promote:**

- public awareness of the obligations of financial institutions and payment card network operators to consumers and merchants
- awareness of all matters related to financial consumer protection.

#### **In collaboration and cooperation with other organizations and stakeholders:**

- foster consumer understanding of financial services and related issues
- strengthen the financial literacy of Canadians.

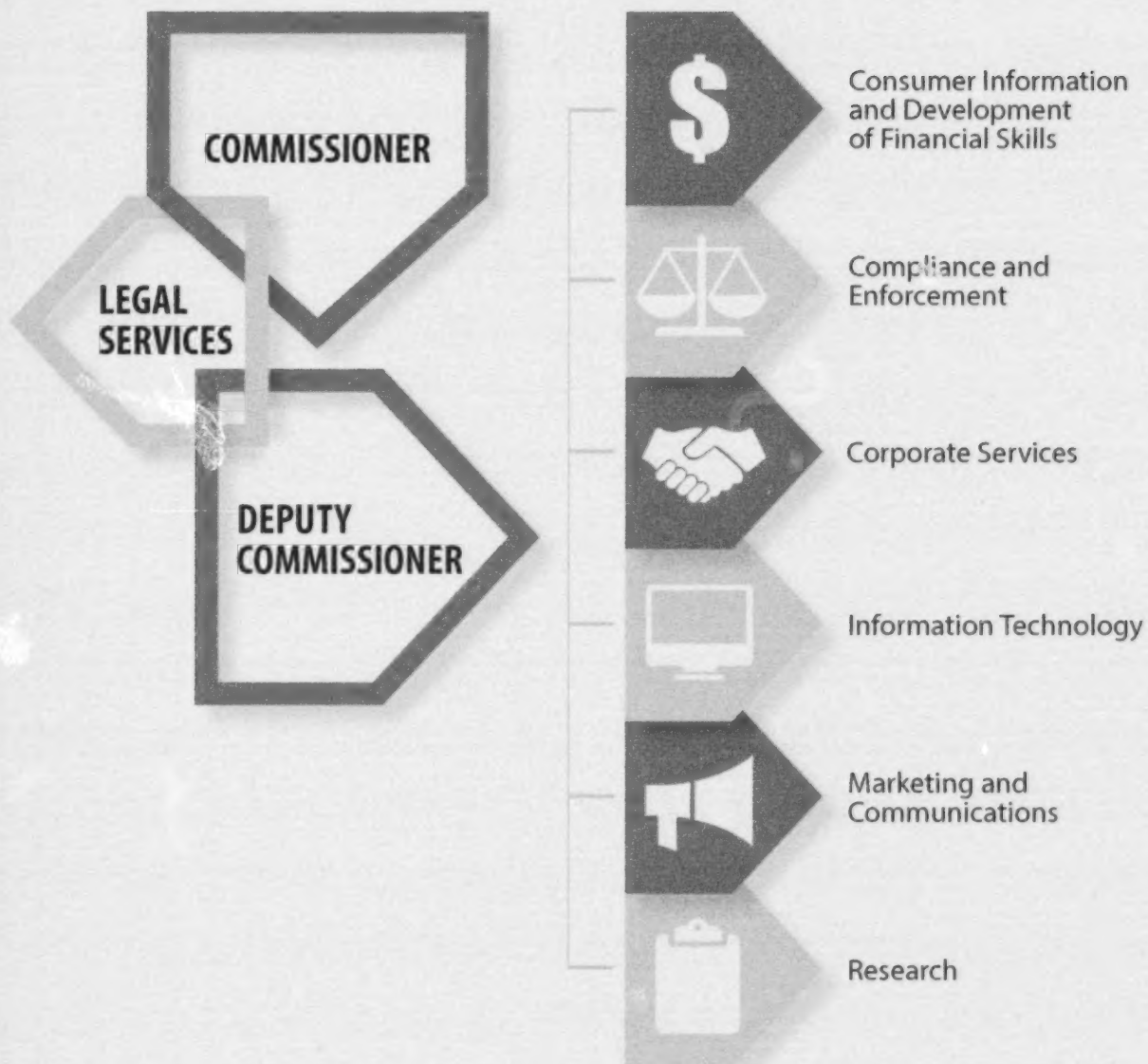
#### **Research:**

- monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services.

### COMPLIANCE

- Supervise financial institutions, external complaints bodies and payment card network operators to ensure that they comply with applicable federal consumer laws, voluntary codes of conduct and public commitments
- Promote adoption of policies and practices by financial entities that support and protect consumer interests.

## Our Organizational Structure



*Note: This diagram reflects our 2013-14 organizational structure. The structure has changed for 2014-15.*

The **Executive Division** includes the Commissioner, the Deputy Commissioner and support staff. It sets FCAC's strategies and priorities, provides leadership and direction, and determines compliance enforcement measures.

The **Legal Services Division** consists of one senior counsel from the Department of Justice Canada, who provides legal research, advice and support.

The **Consumer Information and Development of Financial Skills Division** develops and offers educational materials, tools and programs to help Canadians of all ages build their financial skills and understand their rights and responsibilities when dealing with financial institutions. The division collaborates with stakeholders in the public, private and not-for-profit sectors to help promote and support initiatives that strengthen the financial literacy of Canadians.

The **Compliance and Enforcement Branch** handles the Agency's compliance activities. These include overseeing federally regulated financial entities' compliance with applicable laws and regulations, undertaking annual and on-site examinations, performing industry reviews of specific compliance issues, and reporting compliance matters to the Commissioner. In addition, the division assists financial entities in their efforts to correct contraventions, and encourages them to develop policies and procedures to implement the consumer provisions, voluntary codes of conduct and public commitments that apply to them.

The **Corporate Services Division** supports the Agency's activities by providing services and expertise in various areas, including corporate planning, financial and risk management, security, and program evaluation.

The **Information Technology (IT) Division** manages FCAC's technology needs, including computer and network programming, everyday technical support to staff, and most of the Agency's websites and online interactive tools.

The **Marketing and Communications Division** manages FCAC's outreach programs, promotional activities and public communications channels, including the Agency's Consumer Services Centre and website. The division also handles communications with the media (traditional and social platforms), publication design, and information exchanges with the financial industry on issues of mutual concern.

The **Research Division** identifies, monitors and evaluates trends and emerging issues related to financial consumers to inform policy and program development and to address the concerns of Canadians. The Research team supports the work of other divisions within FCAC and participates in broader knowledge exchange at the international level.

## Resources and Expenditures

| Human Resources (Full-time equivalents) |         |        | Financial Resources (\$ millions) |         |        |
|-----------------------------------------|---------|--------|-----------------------------------|---------|--------|
| Fiscal year                             | Planned | Actual | Fiscal year                       | Planned | Actual |
| 2013-14                                 | 78.1    | 78.1   | 2013-14                           | 14.81   | 14.19  |
| 2012-13                                 | 75.1    | 75.1   | 2012-13                           | 13.64   | 13.26  |
| 2011-12                                 | 69.6    | 69.6   | 2011-12                           | 13.01   | 12.15  |

The Human Resources table compares planned full-time equivalents with actual employees as at March 31, 2014. FCAC added five positions in 2012-13: one in the Compliance and Enforcement Branch, two in Corporate Services, and two in Information Technology. The positions were required for the Agency to deliver on its expanded role supervising payment card network operators and to facilitate a long-overdue increase in corporate support for recent growth in program areas. The Information Technology team also grew to respond to the Agency's needs and to comply with government IT standards. The expanded role with payment card network operators was fully implemented in 2013-14, necessitating two additional compliance officer positions. This also resulted in growth for the Agency's Communications team, where one additional position was created.

The Financial Resources table compares actual and planned spending over the past three years. It includes funding of \$2 million for FCAC's Financial Literacy Program; this is ongoing yearly support from the Government of Canada, as announced in its 2008 budget. A new parliamentary appropriation of \$3 million was granted in 2013-14. However, because of the timing in the recruitment of new staff and the hiring of consultants to undertake activities, only \$281,000 of the \$3 million in funding was budgeted and only \$171,000 of that amount was actually expended in 2013-14.

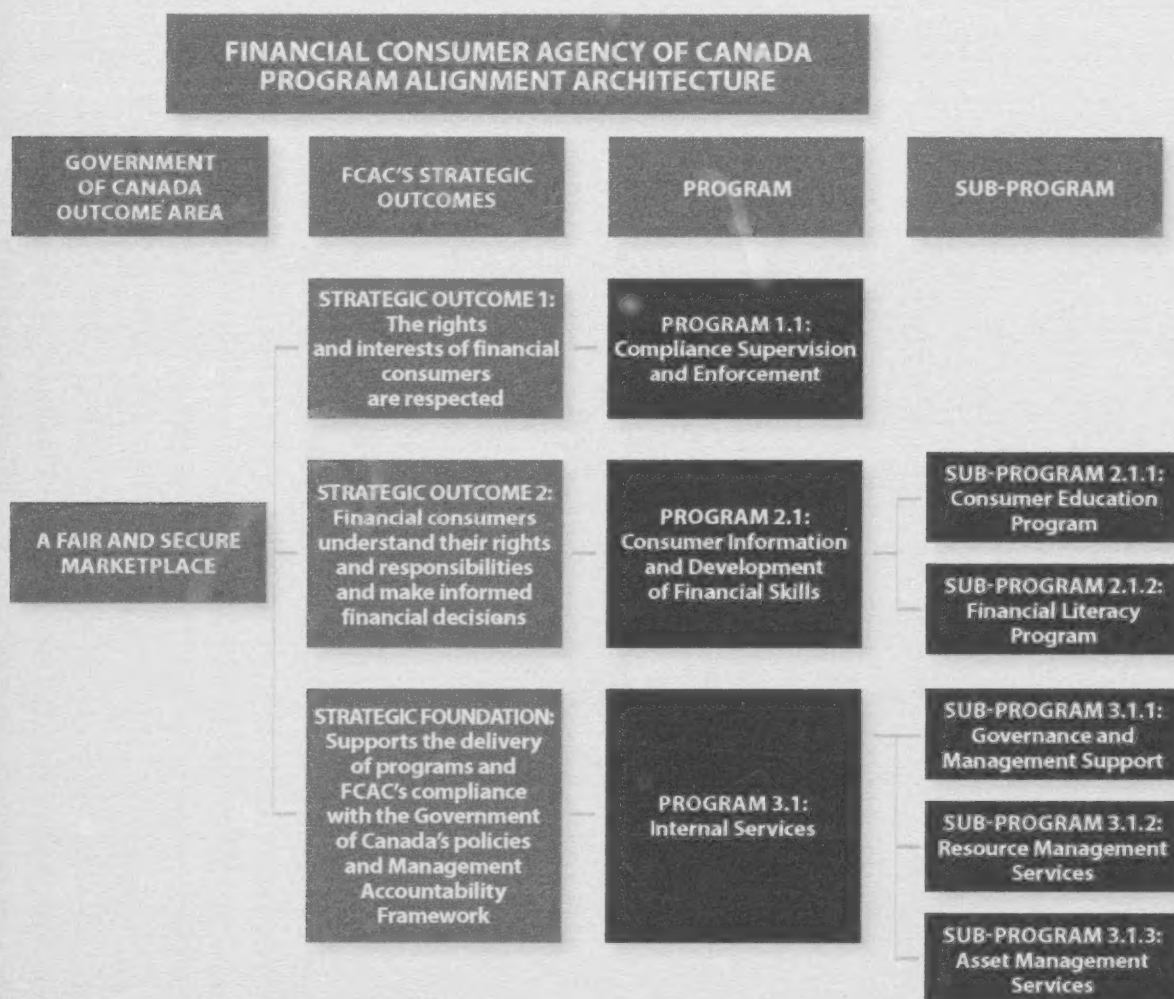
Overall actual expenditures were higher in 2013–14 than in 2012–13. The rise was partly because of an increase in human resource costs to staff vacant and new positions, as well as increases in compensation pursuant to terms and conditions of employment. The 2013–14 rise was also a result of costs incurred for the purpose of contracting related expenses to support the Agency's Web and IT transformation and updates, and to support the development and implementation of new applications. The increases were partly offset by a reduction in printing, publishing and advertising expenditures—the result of the Agency's continued efforts to deliver information to Canadians in the most efficient and effective way, and to respect applicable ceilings for advertising expenditures. Travel costs were lower in 2013–14 because of a reduction in executive speaking engagement opportunities and the availability of fewer local conferences and trade shows.

Actual expenses were lower than the planned budget in 2013–14. This was due mainly to savings in human resource costs, which were lower than expected by approximately \$328,000 as a result of a delay in staffing executive positions. Administrative costs were below budget by \$261,000, and travel costs were \$85,000 lower than expected.

For further information on FCAC's expenditures in 2013–14, please see the Financial Statements.

## Program Alignment Architecture

The following diagram illustrates FCAC's framework of programs and sub-programs in 2013–14. This structure is known as our Program Alignment Architecture. It allows us to effectively pursue our mandate and strategic outcomes, while contributing to the Government of Canada's objective of fostering a fair and secure marketplace.



*Note: This diagram reflects our 2013–14 structure, and our performance and results are reported against it. Our Program Alignment Architecture has changed for 2014–15.*

# Our Programs

Our drive to be a proactive and creative force—in our capacity as regulator, educator and partner—has benefited millions of Canadians and contributed to ongoing improvement of the financial marketplace.



**Consumer  
Education**



**Financial  
Literacy**



**Compliance  
Supervision and  
Enforcement**



**Internal  
Services**

# Consumer Education

FCAC offers educational materials and interactive tools to help Canadians understand the financial products and services they use every day. We also familiarize consumers with their rights and responsibilities when dealing with financial institutions.

## **Our consumer education activities include:**

- developing and distributing information in online and print formats—FCAC has more than 60 resources on a multitude of financial topics, from mortgages, credit and loans to fraud prevention
- working with key stakeholders to ensure our information is current and accurate, and collaborating with public, private and not-for-profit organizations across the country to reach as many Canadians as possible, while also targeting specific groups (such as consumers with lower literacy and income levels)
- building solid relationships with the media, enabling us to share information quickly and cost-effectively
- responding to Canadians' questions and concerns about financial products, services and issues through our Consumer Services Centre.

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## **MORE ONLINE:**

- [Tools and calculators](#)
- [Publications](#)
- [Your rights and responsibilities](#)

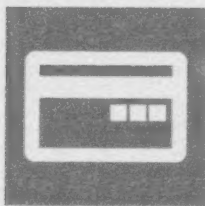
## Performance

FCAC's consumer education materials and services continue to be in demand and well received. During 2013–14, we:

- distributed more than 1.3 million consumer publications in electronic and print format
- posted videos on our YouTube channels, drawing 496,990 views
- attracted 6,533 followers on Twitter, reaching close to 22 million users in the past three years
- grew traffic on our website by 10 percent over the previous year, to 1.5 million Web visits, or an average of 3,452 per day—two thirds of them from first-time visitors
- answered 10,334 consumer inquiries by telephone, email and letter (top three areas of concern were deposit accounts, credit cards, and financial institutions or other companies).

For more detailed results, please see the performance summary on page 48.

### Most popular FCAC publications\*



**1. Understanding  
your credit report  
and credit score**



**2. Making a budget  
and sticking to it**



**3. Buying your first  
home: three steps  
to successful  
mortgage shopping**

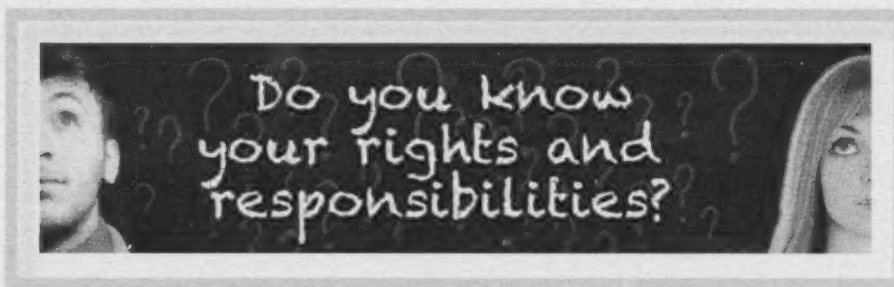
*\*Based on print requests and downloads in 2013–14.*

## Major Initiatives

### Raising awareness of new consumer rights

Several regulatory developments in 2013–14 had implications for financial consumers. FCAC responded by providing consumer information in a variety of formats. For example:

- A new Web page on External Complaints Bodies helps Canadians understand the role of these organizations and their own responsibilities related to the complaints process.
- A new Web page explains consumers' rights and responsibilities with respect to new federal regulations on prepaid cards and other prepaid payment products.
- FCAC posted information about unsolicited credit card cheques, also known as "promotional" or "convenience" cheques. The information reflects the new regulation requiring federally regulated financial entities to obtain the express consent of consumers before providing them with credit card cheques.
- We updated two popular mortgage publications: Buying your first home: three steps to successful mortgage shopping and Renewing and renegotiating your mortgage. The updates contain additional information on prepayment privileges and charges, and consumers' rights under the new, voluntary Code of Conduct for Federally Regulated Financial Institutions—Mortgage Prepayment Information.



### Interactive consumer tools

FCAC launched the [Financial Goal Calculator](#), an easy-to-use, interactive tool that helps consumers at every age, life stage and economic level see their current financial status, set realistic financial objectives and work out practical plans to achieve them. FCAC received support with the development and testing of the tool from Employment and Social Development Canada, the Actuarial Foundation of Canada, and the Chartered Professional Accountants of Canada.

We also refreshed FCAC's [Account Selector Tool](#) and [Credit Card Selector Tool](#). These now provide more up-to-date information, are easier to use and enable Canadians to better identify products that most closely suit their needs. The Account Selector Tool consolidates two former tools: the Banking Package Selector Tool and the Savings Account Selector Tool.

### Educating Canadians about new technologies and products

With mobile payments and other financial innovations emerging in the Canadian marketplace, we published new online information about [virtual currencies](#) to explain what they are, how they are taxed, their potential risks and tips for consumers. We also added information online about the new [Pooled Registered Pension Plans](#) (PRPPs) to help Canadians save for retirement. FCAC worked with partners to develop a table for consumers to compare PRPP costs; it will be published in 2014–15 once PRPPs receive regulatory approval.

### Life Events educational series

Our online Life Events series helps consumers understand the financial considerations associated with some of life's important milestones. As of March 31, 2014, 12 Life Events were featured on FCAC's website, including three added in the past year:

- [Living in retirement](#)
- [Losing your job](#)
- [Getting separated or divorced](#)



We also reviewed and updated information in the other Life Events and identified potential topics for future development, including living with a disability.

### **Material for merchants**

FCAC created a separate section on its website for merchants to help them understand the Code of Conduct for the Credit and Debit Card Industry in Canada. The material covers merchants' rights under the Code, tips for choosing a payment service provider, and what merchants can do if they have questions or need to resolve a dispute.

### **Community outreach**

To raise awareness of FCAC and its work, we undertook outreach initiatives across Canada. The Commissioner and other senior FCAC representatives spoke at 11 industry or stakeholder events and engaged in 20 business development meetings with potential partners to explore collaboration opportunities. We exhibited at 16 trade shows to promote the Agency's role, publications and website.

FCAC representatives also met with members of Parliament, including House Finance Committee members. They discussed the Agency's role and mandate, and how we could reach more Canadians by helping parliamentarians to distribute FCAC information to their ridings.

## **Benefits to Canadians**

In 2013–14, FCAC's Consumer Education Program produced the following benefits:

- Canadians from all walks of life were able to access free, reliable financial information through a variety of channels.
- More Canadians learned about their rights and responsibilities, and became better equipped to make informed financial decisions based on the Agency's consumer education resources.
- Consumers and partners successfully engaged with FCAC through social media, our website and our Consumer Services Centre. The results were stronger relationships, more open communications, quicker dissemination of information, and easier sharing of FCAC tips and messages.
- FCAC helped foster a more transparent, fair and secure financial services marketplace for Canadians.

## TWEET THAT TIP!

A selection of financial tips tweeted by FCAC this past year...

**@PaysToKnow** @FCAC - Nov 18  
Do you feel that a federally regulated financial institution is not respecting your rights? Contact @FCACan [ow.ly/ky7teCSM](https://t.co/ky7teCSM)

**@PaysToKnow** @FCAC - Nov 18  
Order a free copy of your credit report & make sure you're not a victim of fraud. [ow.ly/ky7teCSM](https://t.co/ky7teCSM) #FLM2013



**@PaysToKnow** @FCAC - Nov 18  
Everyone should check their credit report at least once a year. Here is how to order it: [ow.ly/ky7teCSM](https://t.co/ky7teCSM)

**@PaysToKnow** @FCAC - Nov 18  
Paying for a post-secondary education starting early really is key. [ow.ly/ky7teCSM](https://t.co/ky7teCSM) @FCACan tips & tools: [ow.ly/ky7teCSM](https://t.co/ky7teCSM)

**@PaysToKnow** @FCAC - Nov 18  
#FLM2013: New @FCACan online tool to help Canadians plan and reach their financial goals [ow.ly/ky7teCSM](https://t.co/ky7teCSM)

**@PaysToKnow** @FCAC - Nov 18  
#PaysToKnow that you should never pay a fee to insurance agents/brokers. #FLM2013 [ow.ly/ky7teCSM](https://t.co/ky7teCSM)

**@PaysToKnow** @FCAC - Feb 25  
Are you getting separated or divorced? Learn about the financial considerations. [ow.ly/ky7teCSM](https://t.co/ky7teCSM)

**@PaysToKnow** @FCAC - Nov 18  
#PaysToKnow that you have the right to open an account at a bank even if you don't have a job or money. #FLM2013 [ow.ly/ky7teCSM](https://t.co/ky7teCSM)

## STORIES OF IMPACT

### One-on-one help makes a difference

One recent evening, consumer service representative Julia English took a call from a newcomer to Canada who had heard that immigrants weren't allowed to get mortgages here. The FCAC employee corrected the mistaken impression.

"She had a lot of questions about mortgages," said Julia. "I explained the application process, guided her through some of our information on mortgage basics, and assured her that immigrants could indeed take out mortgages."

FCAC's Consumer Services Centre answers more than 10,000 inquiries each year on all types of financial issues. The Agency's website is the most popular destination for Canadians trying to get their heads around money matters, but many still prefer one-on-one help.

"For a lot of Canadians, personal finance is complex and intimidating," says Julia. "They want to talk to somebody about the many questions they have. It really makes a difference when a knowledgeable person can guide them." Julia also recently had the opportunity to answer a senior's questions about her credit report. The caller had never seen a credit report before and wasn't even sure what it was. Julia took the time to explain it to her.

"I wish I knew about FCAC sooner" is something I hear from consumers all the time," says Julia. "I'm glad to know that I'm helping Canadians understand the financial world so they are informed and make good decisions."

# Financial Literacy

FCAC's financial literacy objective is to foster behavioural changes and shape the next generation of Canadians so that they will be more financially literate, with the knowledge, skills and confidence to make responsible financial decisions and take charge of their financial well-being.

**We offer three financial literacy programs free of charge to educators and facilitators:**

- *The City: A Financial Life Skills Resource* is an 11-module learning program for young people of high school age. Developed with the British Columbia Securities Commission, *The City* is designed to help teachers bring financial literacy to life in classrooms across Canada. The program is being used in all jurisdictions in Canada, and most have formally approved the resource for use in mandatory or elective courses.
- *Financial Basics* is a money management workshop for Canadians aged 19 to 29. It was created with the Investor Education Fund in collaboration with financial author Ellen Roseman. Post-secondary institutions, community organizations and workplaces can also use the materials.
- *Your Financial Toolkit* is a learning resource for adult learners. It was developed with the Autorité des marchés financiers du Québec and the Investor Education Fund.

We provide free training for educators and facilitators who want to improve their ability to use and deliver these three programs. In addition, we have multi-sector partnerships with other providers of financial education. These help us extend our reach in communities across Canada, while leveraging each provider's capabilities for greater impact.

## Performance

In 2013–14, Canadians continued to use the Agency's financial literacy materials to develop and improve their money smarts. There were 14,230 new student registrations and 903 new teacher registrations for *The City*, for example, and *Your Financial Toolkit* attracted 154,235 Web visits. Because of competing priorities during the year, we did not run advertising campaigns to promote *The City*, resulting in lower participation rates relative to 2012–13.

For more detailed results, please see the performance summary on page 50.

### MORE ONLINE:

- [\*Toward a national strategy\*](#)
- [\*Financial literacy newsletter\*](#)
- [\*Educational programs\*](#)

## Major Initiatives

### Financial Literacy Month

FCAC coordinated the participation of 91 organizations in Financial Literacy Month (FLM). This successful nationwide initiative offered 443 workshops, conferences and other educational activities throughout November 2013, plus a video contest for youth. Compared to the previous year, the activities offered increased by 68 percent, almost four times as many Canadians used our FLM hash tag on Twitter, and the "shares" and "likes" of our Facebook posts related to Financial Literacy Month increased by nearly 400 percent.



### Financial Literacy Month continues to grow

|                                                 | Nov. 2013 | Nov. 2012 | Nov. 2011 |
|-------------------------------------------------|-----------|-----------|-----------|
| Number of participating organizations           | 91        | 57        | 72        |
| Number of financial literacy activities offered | 443       | 265       | 185       |

### Financial literacy database

Inspired by a recommendation made by the Task Force on Financial Literacy, FCAC began work on a major online tool for Canadians: a one-stop database of financial literacy resources. We conducted an environmental scan of financial literacy resources available in Canada and compiled an inventory of suitable resources to include in the database. Once completed, it will contain a comprehensive list of financial literacy resources from public, private and non-profit sources. The database will allow Web visitors who want to sharpen their money skills to find objective information offered by organizations across Canada.

### The City

We continued to provide online and classroom training to teachers interested in delivering *The City*. Approximately 900 teachers were trained through workshops and special presentations delivered by FCAC's nationwide network of teacher champions. Since fall 2008, we have trained more than 3,700 teachers.

| Registrations for <i>The City</i> * |         |         |                                 |
|-------------------------------------|---------|---------|---------------------------------|
|                                     | 2013-14 | 2012-13 | Since inception<br>(Sept. 2008) |
| Teachers                            | 903     | 1,276   | 9,998                           |
| Students                            | 14,230  | 15,697  | 80,142                          |
| TOTAL                               | 15,133  | 16,973  | 90,140                          |

\* Online version. Totals are as of year-end (March 31).

### **Financial Basics**

We reviewed and updated our *Financial Basics* presenter's manual and participant's handbook. To complement the program, FCAC teamed up with the G. Raymond Chang School of Continuing Education at Ryerson University in Toronto and the Investor Education Fund to create a series of free e-learning videos. Released in April 2014, the series consists of seven videos covering the major topics in *Financial Basics* and an eighth video that gives trainers workshop delivery tips. The videos can be used within a workshop setting or by self-learners.

To date, we have distributed over 65,000 *Financial Basics* workbooks to educational institutions, not-for-profit organizations, credit counsellors and financial advisers. According to a recent evaluation, the program has reached over 360,000 learners.



### **Your Financial Toolkit**

In 2013–14, FCAC entered into agreements with three not-for-profit community-based organizations: Ottawa's Causeway Work Centre and Entraide Budgétaire, and the Centre for Entrepreneurship Education and Development in Halifax. The aim was to evaluate the effectiveness of *Your Financial Toolkit* materials as the foundation for financial literacy workshops, and to promote the program. Following this pilot project, the organizations submitted follow-up reports with their recommendations, which will be incorporated into the resource in 2014–15.

• [Watch the video](#)



### **Northern Aboriginal initiative**

Again with its partners, the Canadian Co-operative Association and Arctic Co-operatives Limited, FCAC delivered 13 financial literacy workshops to 180 participants in northern Aboriginal communities. The workshops covered the topics of budgeting and banking. Participants were pleased with them.

### **Planning future financial literacy work**

During 2013–14, we began planning how the Agency will pursue its financial literacy work in light of recent internal and external developments. The *Financial Literacy Leader Act* has expanded FCAC's mandate to include collaborating and coordinating activities with stakeholders across the country, and supporting the implementation of a national financial literacy strategy.

## **Benefits to Canadians**

### **In 2013–14, FCAC's Financial Literacy Program produced the following benefits:**

- Teachers and facilitators in high schools, post-secondary institutions and community organizations across Canada were able to access free, bilingual, easy-to-use resources for integration into their curricula and use with their students/members.
- Youth and adults across the country were able to access free, easy-to-understand learning resources on money management and financial issues.
- Promotional and outreach activities made more Canadians aware of the value of financial literacy and related initiatives offered by FCAC and other organizations in Canada.
- FCAC empowered Canadians by helping them develop their knowledge, skills and confidence to make sound financial decisions and enhance their financial well-being.

## Canada's first-ever Financial Literacy Leader

On April 15, 2014, Jane Rooney of FCAC was appointed Canada's first-ever Financial Literacy Leader, a position within the Agency. The Leader's mandate is collaborating and coordinating activities with stakeholders from the public, private and non-profit sectors to strengthen the financial literacy of Canadians. A key priority is developing a National Strategy for Financial Literacy, which will serve as a roadmap for stakeholders' efforts to achieve common goals.

Jane Rooney joined the Financial Consumer Agency of Canada in 2002, and in 2008 she was named Director, Financial Literacy and Consumer Education. The innovative approach taken by Jane and her Financial Literacy team earned them a 2010 Public Service Award of Excellence for the successful development of the popular *The City: A Financial Life Skills Resource*, a simulated online world that offers an interactive, engaging and enjoyable way for students to learn about money.



**JANE ROONEY**

Director, Financial Literacy and  
Consumer Education  
Financial Consumer Agency  
of Canada

## STORIES OF IMPACT

### Training boosts confidence to succeed

Florence Brake is a basic financial literacy coordinator and trainer at Causeway Work Centre in Ottawa, one of several organizations throughout Canada that deliver FCAC's *Financial Basics* workshop. The not-for-profit agency empowers people with disabilities and other challenges to help them find rewarding work and live more independently.

Florence is on the front lines every day, working with disadvantaged community members. She has seen the positive outcomes from helping people understand personal finance.

"Financial literacy training has been helping participants not just learn money skills but improve their self-esteem," says Florence.

"For example, one participant with health challenges said that prior to taking the *Financial Basics* workshop, his self-esteem was very, very low. Others had told him that he wouldn't be able to succeed at school or work. However, once he completed the workshop, his outlook and sense of competence really brightened. He started saving money, enrolled in college and even took on a part-time job."

## What teachers are saying about *The City* ...

*"I use The City every semester and would be more than willing to help with teaching other teachers. It is a wonderful tool that I have used for the past three years with my Grade 10 business class. Financial literacy is a passion of mine and we spend six weeks in my class working on these skills."*

*"It is excellent and my at-risk students took to it very well. A most valuable and needed program."*

*"I use it to teach personal finance. The storytelling is what hooks the kids and keeps them there to learn the concepts."*

*"I really liked this tool. My class students could easily follow the course and learned from it."*

*"My students found it incredibly useful as it made them far more aware of the impending expenses associated with more independent living."*

*"I used this in my Career and Life Management course. It's a great program that really kept my students interested in learning about budgeting and finances, what could otherwise be a very dry topic."*

## Reaching Canadians through the media



### Top 5 news stories citing FCAC related to:

1. Financial literacy (820)
2. Accounts (213)
3. General financial topics (191)
4. Credit cards (173)
5. Loans (82)

# Compliance Supervision and Enforcement

FCAC monitors and enforces compliance with laws and regulations created to ensure that federally regulated financial entities (FRFEs) meet a high standard in their business practices affecting their customers.

## **Our activities in this area include:**

- monitoring and investigating compliance issues at an industry-wide level and within individual financial entities, using a risk-based approach
- undertaking annual and on-site examinations
- engaging with FRFEs to promote greater compliance in the marketplace, and encouraging them to develop effective internal policies and practices focused on implementing consumer-centred compliance measures
- monitoring the industry's adherence to its voluntary codes of conduct and public commitments
- engaging with other regulators within the Canadian financial services sector on key compliance matters
- providing input to the federal government on regulatory initiatives that impact financial consumers.

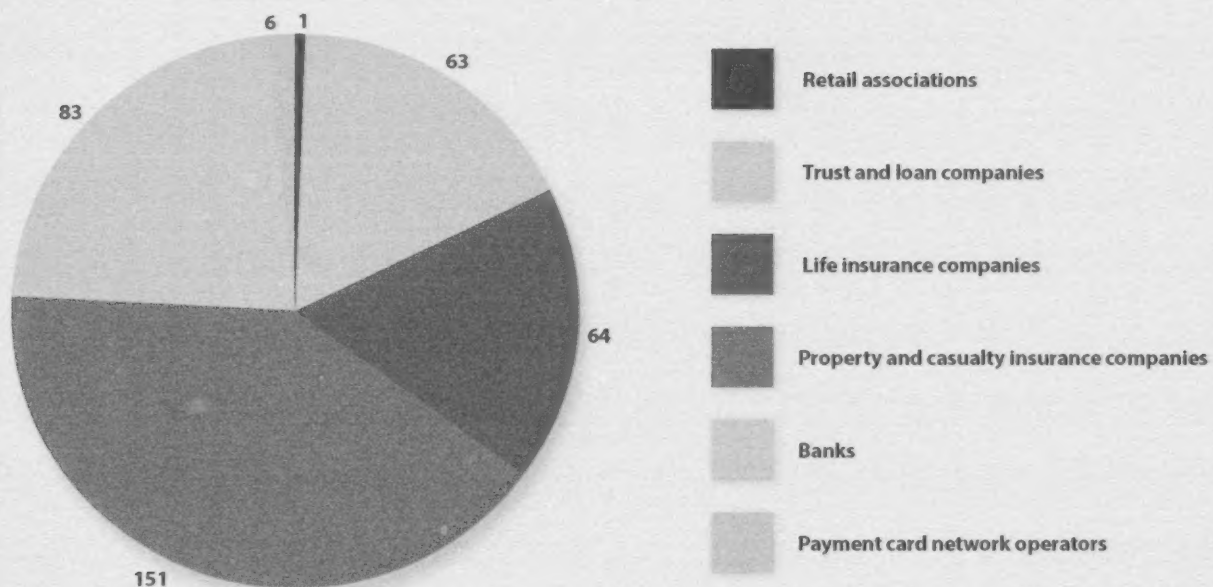
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## **MORE ONLINE:**

- [Who we regulate](#)
- [Compliance framework](#)
- [Laws, regulations and other obligations](#)

## FCAC supervised 368 FRFEs

As at March 31, 2014



## Performance

During 2013-14, the Agency investigated 1,358 cases of actual or potential non-compliance with federal legislation, regulations, codes of conduct and public commitments.

We met or exceeded most of our performance targets and service standards for our supervisory activities. In a few instances involving complex issues, we required extra time to complete our work. Additional resources will be allocated to similarly complex files in the future to help ensure that all timelines are met.

Issues related to certain credit card practices persisted in 2013–14. The top issues included inadequate disclosure on credit card statements and improper credit card fees. By working with the entities, we were able to identify and resolve these and other compliance issues. Nine violations were issued by the Commissioner during the fiscal year, carrying penalties totalling \$775,000.

During 2013–14, FCAC made a concerted effort to meet with a greater number of FRFEs than in previous years (30 percent instead of the targeted 25 percent). These meetings allowed the Agency and FRFEs to discuss regulatory issues and compliance challenges, and helped FRFEs assess how to best implement new and amended regulations.

#### **Top compliance issues, 2013–14**

| <b>Issue</b>                         | <b>Cases opened</b> |
|--------------------------------------|---------------------|
| Credit card statements (disclosure)  | 114                 |
| Credit card fees (cost of borrowing) | 92                  |
| Debt collection practices            | 73                  |

For more detailed results, please see the performance summary on page 53.

## Compliance summary

|                                                                                     | 2013-14 | 2012-13 | 2011-12 |
|-------------------------------------------------------------------------------------|---------|---------|---------|
| <b>Compliance cases opened (new files)</b>                                          | 891     | 937     | 1,112   |
| <b>Cases investigated for potential or actual compliance violations<sup>1</sup></b> | 1,358   | 1,526   | 1,268   |
| <b>Number of violations</b>                                                         | 9       | 5       | 3       |
| <b>Compliance agreements entered into with regulated entities<sup>2</sup></b>       | 1       | 5       | 3       |
| <b>Action plans accepted from regulated entities<sup>3</sup></b>                    | 59      | 15      | 9       |

<sup>1</sup> Compliance violations are breaches of laws, regulations, voluntary codes or public commitments.

<sup>2</sup> A compliance agreement is a legislated compliance tool. It is a formal agreement between the FCAC Commissioner and senior management of a regulated entity, setting out detailed corrective measures that the entity must undertake to comply with the applicable consumer provisions within a specified time frame. A financial entity's failure to fully implement a compliance agreement may lead to enforcement action by FCAC.

<sup>3</sup> FCAC's Compliance and Enforcement Branch may require a regulated entity to develop an action plan that provides information on the cause of non-compliance and the measures that the entity plans to undertake to correct the issue and prevent its recurrence.

## Selected Commissioner's decisions in 2013-14

### Commissioner's Decision #118

An individual complained to FCAC that, following a change in the payment frequency of his mortgage loan, his mortgage fell into arrears because of a bank error. FCAC's investigation revealed that the bank did not provide any type of amended disclosure documents to borrowers when consumers requested changes to the frequency of their mortgage payments resulting in reductions in the cost of borrowing.

### Commissioner's Decision #119

A bank failed to provide credit card disclosure that included the following regulatory requirements:

- the manner in which interest was calculated in initial disclosure
- the annual interest rate on monthly statements
- the date interest was posted to the account on monthly statements.

### Commissioner's Decision #120

A bank failed to comply with section 6(4) of the *Cost of Borrowing (Banks) Regulations*: The information disclosed on consumers' statements in relation to the foreign currency exchange rate for foreign currency transactions was not clear and was misleading to borrowers.

## Major Initiatives

### Clear language review

Clear language is a long-term priority for FCAC. As a cornerstone of consumer protection, we expect all FRFEs to establish clear language policies and to apply these to their consumer communications.

In 2012–13, we conducted an industry review analyzing whether FRFEs had incorporated FCAC's *Clear Language and Presentation Principles and Guidelines for the Industry* into their internal policies and procedures. We published the results of the review in June 2013, and found that the majority of the 59 FRFEs assessed had not demonstrated compliance with our guidance. Throughout the year, we established action plans for the non-compliant FRFEs and worked with them to resolve the deficiencies identified. By year-end, all FRFEs successfully closed their respective gaps within the established time frames.

In 2014–15, we will review FRFEs' in-market disclosure documents to ensure that they are compliant with clear language policies and procedures.

### Guidance on complaints resolution

Following broad consumer and industry consultations, the FCAC Commissioner released guidance to clarify banking complaint resolution processes (*CG-12 Internal Dispute Resolution*) and to support new federal regulations (*CG-13 Application Guide for External Complaint Bodies*). During the year, FCAC worked with:

- FRFEs to ensure that their internal complaint-handling procedures satisfied the requirements set out in the Commissioner's Guidance
- prospective external complaint bodies to assist them with their applications and help them understand the requirements they must meet.

The *Complaints (Banks, Authorized Foreign Banks and External Complaints Bodies) Regulations* came into force in September 2013. The Regulations create a stronger, more independent consumer complaint system by setting high, pro-consumer standards that all FRFEs must meet.

### ***Prepaid Payment Products Regulations***

FCAC proactively reached out to industry associations and individual FRFEs to discuss the new *Prepaid Payment Products Regulations*, which were announced in November 2013, so that any issues could be addressed before the date the regulations came into force (May 1, 2014).

### **Risk assessment**

We reviewed the Agency's Risk Assessment Model (RAM), which helps identify, define, assess and weigh financial institutions' risks related to their compliance with financial consumer protection laws. We will continue to update the model in the coming years to ensure that it continues to fulfill its intended purpose.

## **Benefits to Canadians**

In 2013–14, FCAC's Compliance Supervision and Enforcement program generated the following benefits:

- Supported by its case management process and system, FCAC helped ensure that consumer complaints were properly addressed and that key systemic compliance issues were accurately identified and promptly resolved by the financial entities concerned.
- Through compliance and enforcement actions, FCAC influenced behavioural changes that significantly improved FRFEs' overall compliance with the laws and regulations designed to protect consumers.
- By issuing guidance and communications to the industry on complaints regulations and other compliance matters, FCAC enhanced FRFEs' understanding of how to implement new laws, regulations, codes of conduct and public commitments.
- Through its work with government and other regulators on legislative and regulatory initiatives, FCAC helped ensure that Canada continues to have a robust and evolving regulatory framework, which protects financial consumers and fosters greater competition in the marketplace.

## STORIES OF IMPACT

### **Ensuring consumers are protected through effective complaint resolution**

An important part of the customer experience is having access to effective dispute resolution. The federal government has made this a legal requirement in the federally regulated financial sector—a fact that many Canadians are unaware of—in an effort to protect consumers in their dealings with financial institutions.

This means that when Canadians have an issue with their financial institution—for example, an issue with a mortgage—they have the right to file a complaint free of charge, and can expect to have it handled in a timely, competent manner by the institution.

Last year, FCAC issued guidance ("Commissioner's Guidance") on how financial institutions should establish their internal complaint-handling processes, centred on the key principles of effectiveness, efficiency and accountability. All financial institutions needed to review their existing complaints policies and procedures to ensure that they met the minimum standards outlined in FCAC's guidance.

By proactively issuing the guidance, we clarified and promoted awareness of the industry's obligations and ultimately helped ensure better protection for consumers. When customers are able to resolve their issues with their financial institution, confidence in the financial system improves and the institution gains better insight into its own compliance with applicable laws, regulations and commitments.

# Internal Services

Our Internal Services team ensures that FCAC adopts and applies best practices to manage its people and operations. This includes implementing appropriate policies, procedures and reporting structures.

## **Our activities include:**

- corporate planning and reporting
- performance measurement and evaluation
- risk management
- financial management and audit services
- human resource management
- information technology and Web services
- security and privacy
- procurement.

## **Performance**

In 2013–14, Internal Services continued to support and strengthen the Agency's management and administration.

We successfully met our performance targets for complying with Government of Canada policies applicable to FCAC, including the Treasury Board of Canada Secretariat's Policy on Internal Control. The policy is designed to ensure that risks related to the stewardship of public resources are adequately managed through effective in-house accounting and financial controls.

For more detailed results, please see the performance summary on page 55.

## Major Initiatives

### Web management and design

Improving FCAC's Web platform for both internal and external users was a key priority in 2013–14.

We launched a new Web Content Management System, empowering employees to create and publish their own content on FCAC's website without having to depend on the Agency's IT resources for this task. The decentralized approach will enhance the efficient, timely posting of information to the website.

We also updated the Agency's website and online applications to comply with the Web Standards for the Government of Canada and to meet accessibility requirements for persons with visual impairments. The new site was launched in October 2013. It features a redesigned navigation menu, an improved search function, and additional information and tools to help Canadian consumers and merchants manage their financial obligations.



### Human Resources strategy

During 2013–14, we reviewed every component of the Agency's Human Resources program, from policies and training programs to individual job descriptions. This effort was part of a Treasury Board Secretariat initiative to ensure that human resource practices across government departments and agencies are consistent, effective and current. As a result of our review, we developed and implemented various procedures and processes to harmonize our practices with those of the federal government as a whole.

We also continued to invest in employees' development by:

- developing an internal guide and templates for employee learning plans
- providing in-house training to all staff on the topics of Values and Ethics, Interpersonal Communications, and Change Management
- delivering career development and training programs to support retention, succession planning and knowledge transfer.

### **Monitoring and reporting strategy**

To help us better assess the effectiveness of our work, we improved the ways we track, monitor and report two types of FCAC activities:

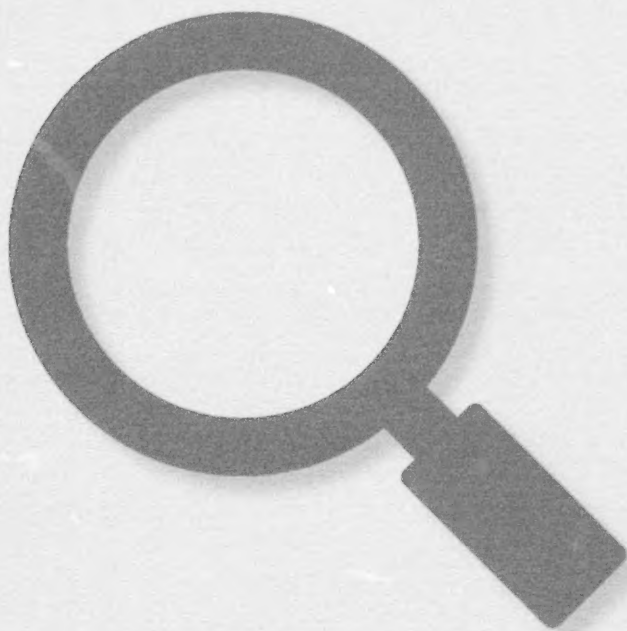
- **Community outreach:** FCAC engages in hundreds of outreach activities each year. We enhanced our internal management software to better capture the results of these efforts more systematically and consistently, while also providing the Agency with powerful analytics and dashboards.
- **Case management:** We updated and enhanced the case management software to provide employees with better control and to allow for more efficient collaboration on case files.

### **Benefits to Canadians**

In 2013–14, Internal Services contributed to FCAC's progress toward all of its strategic outcomes, priorities and activities by enabling the Agency's programs to operate more effectively and efficiently.

# Research Projects

Timely research helps FCAC keep track of emerging trends and issues. It also informs program and policy development relevant to financial consumers.



## Key research projects in 2013–14

### Mobile payments research

FCAC published *Mobile Payments and Consumer Protection in Canada*, a research study examining the extent to which financial consumers in Canada are protected when making mobile payments (m-payments). The study found that consumer protections vary across the Canadian marketplace and, as a result, not all m-payments in Canada are protected equally. The report identified emerging consumer risks and potential policy solutions. The findings have contributed to ongoing policy discussions in Canada as well as internationally, and have informed the development of new FCAC consumer education materials. FCAC also conducted a complementary review of the international literature on m-payments and consumer protection, to be published in 2014–15.

### Relationship between numeracy, literacy and financial literacy

In its final report to the Minister of Finance in 2011, the Task Force on Financial Literacy suggested a “link between [low] literacy and numeracy skills of Canadians and their insufficient financial literacy levels.” The report highlighted the fact that 42 percent of working-age Canadians—that is, those aged 16 to 64—have literacy skills below the level required to understand and use information contained in text or to perform tasks typical in today’s knowledge society and information economy.

In light of this information, FCAC partnered with the Social Research and Demonstration Corporation to investigate the relationship between numeracy and document use (that is, literacy) and levels of financial literacy. A small exploratory study was conducted among employees in the hospitality industry to determine whether the delivery of numeracy and literacy skills training in the workplace has a significant impact on the financial capability of participants.

After controlling for other factors, the study found indications that the participants’ numeracy and literacy were not associated with an increase in financial literacy. The one exception was that a high level of numeracy correlated with keeping up with bills. The study did find a positive correlation between financial capability and socio-demographic and psychosocial factors, such as motivation, self-efficacy and life satisfaction.

“While m-payments are still evolving and are not yet mainstream, their emergence in the marketplace has triggered important questions related to consumer protection. We need to be in front of these issues today so that we understand what is at stake and bring to light the implications for Canadians.”

Lucie Tedesco,  
FCAC Commissioner

### **Re-fielding of the Canadian Financial Capability Survey**

FCAC continues to move forward to assess financial literacy levels in Canada. Together with Statistics Canada, we initiated the process of re-fielding the Canadian Financial Capability Survey. First conducted in 2009, the survey aims to shed light on Canadians' knowledge, abilities and behaviours concerning financial decision making—specifically, how Canadians understand their financial situation, the financial services available to them and their plans for the future. The survey's preliminary findings will be released in November 2014 during Canada's National Financial Literacy Conference.

### **Financial consumer code**

FCAC is contributing to the Department of Finance Canada's efforts to develop a comprehensive financial consumer code that will better protect consumers of financial products. During 2013–14, FCAC's research team provided its research support on international approach to consumer protection, participated in consultations, as well as its experience and expertise in dealing with financial entities under the current consumer protection framework.

## STORIES OF IMPACT

### Six months later: Workshop participants do better with finances

Perhaps the biggest challenge in the field of financial literacy is assessing whether a financial education program has motivated people to become better savers, better investors and better money managers. Teaching people about personal finance does not necessarily mean that they will incorporate the lessons in their daily decisions.

In 2013–14, FCAC commissioned an independent study to evaluate the longer-term impact of one of the Agency's financial education programs. The pilot study was conducted by TNS Canada, one of the country's largest market research firms. The study looked at 308 people who participated in *Financial Basics*, our workshop to help younger Canadians (ages 19 to 29) learn about budgeting, managing expenses, saving, credit, investing and financial planning.

The study assessed participants' "before and after" financial skills, knowledge and confidence to determine whether these improved after attending a *Financial Basics* workshop. Despite a small sample size, the results were very promising. Six months after the workshop:

- Participants were doing better at managing their money, including meeting their financial commitments, staying within their budget and monitoring their financial information.
- Participants were more likely to report that they were using more sources of advice to help them with financial planning and debt management.
- Participants' ratings of their financial knowledge also improved, and more of them could correctly answer questions about financial matters such as credit reports.
- Some behavioural changes were also noted: More of the participants owned rental insurance and had changed their expectations with respect to income in retirement.

"Participants in *Financial Basics* workshops improved on a number of key indicators of financial literacy. Participants also reported improvements in the way they perceived themselves to be keeping track of money, making ends meet and staying informed on financial issues."

—TNS Canada, *Measuring the Impact of the Financial Consumer Agency of Canada's Financial Literacy Products*, April 2014

# The Numbers

A closer look at the numbers that define our work and performance



## Complaints Not Related to Compliance

The following table shows the number and nature of complaints FCAC received from consumers and merchants during the year, excluding compliance issues and general inquiries.

| Nature of complaints                            | Number of complaints |              |              |
|-------------------------------------------------|----------------------|--------------|--------------|
|                                                 | 2013-14              | 2012-13      | 2011-12      |
| Credit                                          | 307                  | 357          | 248          |
| Credit cards                                    | 839                  | 914          | 814          |
| Deposit accounts                                | 1,004                | 1,154        | 898          |
| FCAC                                            | 26                   | 28           | 15           |
| Financial institutions or other companies       | 695                  | 736          | 538          |
| Financial literacy                              | 2                    | 10           | 4            |
| Insurance                                       | 179                  | 206          | 189          |
| Investments                                     | 417                  | 374          | 282          |
| Lines of credit                                 | 126                  | 132          | 100          |
| Loans                                           | 194                  | 195          | 151          |
| Mortgages                                       | 389                  | 454          | 333          |
| Payday loans                                    | 17                   | 37           | 35           |
| Publications                                    | 2                    | 12           | 2            |
| Referrals to other departments or organizations | 755                  | 936          | 707          |
| Miscellaneous                                   | 73                   | 91           | 95           |
| <b>Total</b>                                    | <b>5,025</b>         | <b>5,636</b> | <b>4,412</b> |

## Complaints Related to Compliance

The following table shows the number and nature of complaints FCAC received from consumers and merchants that related to compliance issues.

| Nature of complaints <sup>1</sup>   | Number of complaints |         |         |
|-------------------------------------|----------------------|---------|---------|
|                                     | 2013-14              | 2012-13 | 2011-12 |
| CONSUMER PROVISIONS                 |                      |         |         |
| Branch closures                     | 5                    | 8       | 1       |
| Cheques                             | 4                    | 8       | 3       |
| Coercive tied selling               | 1                    | 2       | 3       |
| Complaint-handling procedures       | 20                   | 18      | 15      |
| Compliance of affiliate             | 1                    | 0       | 0       |
| Cost of borrowing—general           | 0                    | 48      | 2       |
| Cost of borrowing—credit cards      | 40                   | 0       | 92      |
| Cost of borrowing—lines of credit   | 13                   | 7       | 8       |
| Cost of borrowing—loans             | 4                    | 3       | 11      |
| Cost of borrowing—mortgages         | 16                   | 15      | 35      |
| Credit business practices           | 4                    | 5       | 20      |
| Deposit accounts                    | 15                   | 31      | 40      |
| Deposit-type instruments            | 0                    | 0       | 1       |
| Disclosure of charges for services  | 0                    | 0       | 0       |
| Disclosure of interest rates        | 0                    | 0       | 1       |
| Failure to inform how to reach FCAC | 0                    | 0       | 0       |
| Index-linked deposit accounts       | 2                    | 0       | 0       |
| Principal protected notes           | 0                    | 0       | 0       |
| Public accountability statements    | 4                    | 4       | 0       |
| Registered products                 | 1                    | 3       | 1       |

| Nature of complaints <sup>1</sup>               | Number of complaints |            |            |
|-------------------------------------------------|----------------------|------------|------------|
|                                                 | 2013-14              | 2012-13    | 2011-12    |
| CODES OF CONDUCT                                |                      |            |            |
| Authorized insurance activities                 | 11                   | 13         | 26         |
| Credit and debit card code <sup>2</sup>         | 138                  | 187        | 75         |
| Debit card code                                 | 7                    | 14         | 32         |
| Protection for e-commerce                       | 0                    | 0          | 0          |
| Small Business Banking Code                     | 3                    | 1          | 0          |
| Mortgage prepayment                             | 2                    | 0          | 0          |
| PUBLIC COMMITMENTS                              |                      |            |            |
| Accessibility of complaint-handling process     | 0                    | 1          | 0          |
| Agreement to offer low-cost accounts            | 0                    | 0          | 0          |
| Credit cards—general                            | 0                    | 0          | 0          |
| Guidelines for the transfer of registered plans | 6                    | 3          | 13         |
| Hold period on cheques                          | 0                    | 1          | 0          |
| Interac                                         | 0                    | 0          | 0          |
| Mortgage plain language                         | 0                    | 0          | 0          |
| Online security                                 | 0                    | 0          | 1          |
| Undertaking on unsolicited services             | 0                    | 0          | 8          |
| Visa E-promise                                  | 0                    | 0          | 1          |
| Zero-liability credit cards                     | 7                    | 16         | 20         |
| Zero-liability prepaid cards                    | 1                    | 0          | 0          |
| General                                         | 0                    | 0          | 0          |
| <b>Total</b>                                    | <b>305</b>           | <b>388</b> | <b>409</b> |

<sup>1</sup> Excludes complaints by federally regulated financial institutions and compliance issues raised by FCAC.

<sup>2</sup> Represents complaints received from consumers related to payment card network operators.

## Internal Audits and Evaluation

| Name                     | Type             | Subject area                                | Status                                                                                                                                                                                                                                                                             | Completion date        |
|--------------------------|------------------|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Follow-up staffing audit | Audit engagement | Staffing policies, procedures and processes | FCAC undertook internal staffing monitoring in 2013–14. This satisfied the purpose and objectives of the follow-up staffing audit. Hence there was no need to undertake a separate additional activity. The Agency will continue monitoring internal staffing on an ongoing basis. | Ongoing beyond 2013–14 |

## Green Procurement

| Area of performance                                                      | Performance measure                    | Target | Performance summary                                                                                                                                                                                          |
|--------------------------------------------------------------------------|----------------------------------------|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Use of green consolidated procurement instruments for goods and services | Commercial publication and flat prints | 100%   | 100%                                                                                                                                                                                                         |
|                                                                          | Office furniture                       | 100%   | 100%                                                                                                                                                                                                         |
|                                                                          |                                        |        | General-purpose automated data-processing equipment (including firmware), software, supplies and support equipment were also all (100%) procured with the use of green consolidated procurement instruments. |

## Green Government Operations

Although FCAC is not subject to the Federal Sustainable Development Strategy, we opted to voluntarily contribute to the following two targets set out in the Greening Government Operations section of the Strategy:

### a) Surplus electronic and electrical equipment

By March 31, 2014, the Agency reused or recycled all surplus electronic and electrical equipment (EEE) in an environmentally sound and secure manner.

| Performance measure                                                                                                                                                                                                                                                   | Target, 2013-14 | Actual Results, 2013-14 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------|
| Total number of departmental locations with EEE implementation plan fully implemented, expressed as a percentage of all locations, by the end of any given fiscal year                                                                                                | 100%            | 100%                    |
| Current status/comments:                                                                                                                                                                                                                                              |                 |                         |
| • FCAC currently follows the Government of Canada policies, directives and guidelines for the disposal of all surplus electronic and electric materiel. The surplus is reused through the available programs (e.g., Computers for Schools, Crown Asset Distribution). |                 |                         |
| • FCAC has only one departmental location.                                                                                                                                                                                                                            |                 |                         |

### b) Printing unit reduction

By March 31, 2014, the Agency achieved a 9:1 average ratio of office employees to printing units throughout its organization.

| Performance measure                                                                                                                                                                                                                         | Target, 2013-14 | Actual results, 2013-14 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------------------|
| Ratio of departmental employees to printing units at the end of the given fiscal year, where building occupancy levels, security considerations and space configuration allow                                                               | 8:1             | 9:1                     |
| Current status/comments:                                                                                                                                                                                                                    |                 |                         |
| • A printing unit is defined as a desktop printer or network printer / multi-functional device (printer, fax or scanner).                                                                                                                   |                 |                         |
| • The term "office employees" includes indeterminate, determinate, term, casual and student employees who are employed on a full-time or part-time basis. It also includes temporary administrative help hired through employment agencies. |                 |                         |
| • FCAC had 9 printer units and 81 employees as of March 31, 2014.                                                                                                                                                                           |                 |                         |

## Performance Summary

This section examines FCAC's performance in relation to the expected results and targets established in our 2011–14 *Business Plan*. The following performance scorecard summarizes results for 2013–14. It gives a clear, concise picture of how successful we were in the past year.

### Consumer Education

| 2013–14 Financial resources (\$ millions)                                                                                     |                                                                                                                                                                  | 2013–14 Human resources (Full-time equivalents)                                                                                                                                          |                           |                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planned spending                                                                                                              | Actual spending                                                                                                                                                  | Planned                                                                                                                                                                                  | Actual                    |                                                                                                                                                                                                                                                                                                                                                        |
| 3.45                                                                                                                          | 3.24                                                                                                                                                             | 24.6                                                                                                                                                                                     | 24.6                      |                                                                                                                                                                                                                                                                                                                                                        |
| <b>Expected results</b>                                                                                                       | <b>Performance indicators</b>                                                                                                                                    | <b>Targets/deliverables</b>                                                                                                                                                              | <b>Performance status</b> | <b>Performance summary</b>                                                                                                                                                                                                                                                                                                                             |
| FCAC's consumer information is useful, easy to understand, and relevant for decision making                                   | Consumers' level of satisfaction on usefulness, ease of understanding and relevance                                                                              | Average satisfaction rating of 3.5 on a scale of 5                                                                                                                                       | Exceeded                  | Satisfaction rating:<br><br>• Tools: 3.98<br>• Online publications: 3.84<br>• Print publications: 4.85<br>• Weighted average: 3.99                                                                                                                                                                                                                     |
| Information on financial products/services and consumer financial rights under federal laws is readily available to Canadians | Consumer education material covers the full range of financial products and services and all consumer financial rights under federal laws (print and electronic) | By March 31, 2014, new education material is available to inform consumers about new technologies (e.g., cashless and mobile payment) for financial services and related consumer issues | Mostly met                | Material on virtual currencies was published on March 28, 2014.<br><br>Other material related to new technologies (including mobile payments and mobile devices) was drafted in 2013–14 but will be published in 2014–15. The delay was due to allocation of staffing to another Agency priority: implementation of the Web Content Management System. |
| Market trends and emerging issues with an impact on financial consumers are monitored and evaluated                           | Research projects are completed by agreed timeline                                                                                                               | No deliverable/target set in the Business Plan for 2013–14                                                                                                                               | Met                       | Completed two research projects by agreed timelines: one on banking fees and the other on mobile payments.                                                                                                                                                                                                                                             |
| Information on financial products/services and consumer financial rights is presented in clear language                       | Consumer education material follows FCAC's clear language principles                                                                                             | FCAC's clear language principles are integrated in all new material and are maintained when the material is updated                                                                      | Met all                   | Clear language principles have been integrated in new publications and Web content, as well as updates to existing resources for consumers.                                                                                                                                                                                                            |

(continued)

| 2013–14 Financial resources (\$ millions) |                                                     | 2013–14 Human resources (Full-time equivalents)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planned spending                          | Actual spending                                     | Planned                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Actual                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Canadians use FCAC's education material   | Number of Canadians using FCAC's education material | <p>Increase of 5% year-over-year in:</p> <ul style="list-style-type: none"> <li>• Web visits Exceeded</li> <li>• use of interactive tools Not met</li> <li>• publications distributed to consumers and partners Not met</li> </ul> <p>Service commitments are met:</p> <ul style="list-style-type: none"> <li>• Average call wait time for consumers is 30 seconds or less Exceeded</li> <li>• Call abandon rate is 5% or less Exceeded</li> <li>• Response to 80% of correspondence within 14 calendar days Exceeded</li> <li>• Response to 85% of publication requests within 10 calendar days Exceeded</li> </ul> | <p>10% increase</p> <p>3% decrease, probably due to switch to new website (there is a delay before search engines index a new site).</p> <p>0% change in electronic publications downloaded. With the launch of the new website, FCAC's existing search engine presence was neutralized, resulting in an overall decrease in visitors to the site.</p> <p>43% decrease in print publications distributed, due to federal government's move to e-printing to reduce costs and modernize operations.</p> <p>Average wait time achieved was 12 seconds.</p> <p>Call abandon rate achieved was 2.8%</p> <p>96% of correspondence was responded to within 14 calendar days.</p> <p>94% of publication requests were responded to within 10 calendar days.</p> |

## Financial Literacy

| 2013–14 Financial resources (\$ millions)                                                                   |                                                                                                                                                      | 2013–14 Human resources (Full-time equivalents)                                                                                                  |                           |                                                                                                             |
|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------------------------------------------------------------------------------------|
| Planned spending                                                                                            | Actual spending                                                                                                                                      | Planned                                                                                                                                          | Actual                    |                                                                                                             |
| 3.07                                                                                                        | 2.82                                                                                                                                                 | 11.9                                                                                                                                             | 11.9                      |                                                                                                             |
| <b>Expected results</b>                                                                                     | <b>Performance indicators</b>                                                                                                                        | <b>Targets/deliverables</b>                                                                                                                      | <b>Performance status</b> | <b>Performance summary</b>                                                                                  |
| FCAC's financial literacy material contributes to the development and improvement of basic financial skills | Percentage of users who agree that FCAC's financial literacy material contributed to the development and improvement of their basic financial skills | By March 31, 2014, the current online feedback process is streamlined or revamped to increase users' response rate and get appropriate baselines | Met all                   | Revamped online feedback surveys were posted on FCAC's website within set time frame.                       |
| Canadians use FCAC educational material                                                                     | Number of Canadians who use FCAC's educational material                                                                                              | Increase of 10% year-over-year in the number of online student registrations for <i>The City</i>                                                 | Not met                   | 9% decrease. Because of competing priorities, approved advertising funds were allocated to other products.  |
|                                                                                                             |                                                                                                                                                      | Increase of 5% year-over-year in the number of classes being registered for <i>The City</i>                                                      | Not met                   | 17% decrease. Because of competing priorities, approved advertising funds were allocated to other products. |

(continued)

| 2013–14 Financial resources (\$ millions) |                 | 2013–14 Human resources (Full-time equivalents)                                                                                 |         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------|-----------------|---------------------------------------------------------------------------------------------------------------------------------|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planned spending                          | Actual spending | Planned                                                                                                                         | Not met | Actual                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                           |                 | Increase of 5% year-over-year in the number of requests for the <i>Financial Basics</i> material (print and downloads combined) | Not met | <p>Presenter's manual: 52% decrease.</p> <p>Participant's handbook: 50% decrease.</p> <p>We attribute the considerable decline in requests to two factors:</p> <ul style="list-style-type: none"> <li>• Order forms for <i>Financial Basics</i> materials were removed from FCAC's website when it was relaunched in October 2013 to align with the federal government's print reduction policy. Once it became apparent that our new order process did not meet user needs, we reinstated the order forms on our website in early 2014.</li> <li>• With the launch of the new website, FCAC's existing search engine presence was neutralized, resulting in an overall decrease in visitors to the site.</li> </ul> <p>FCAC ran an advertising campaign in early 2014 to increase awareness about <i>Financial Basics</i>. This generated increased visits to the program Web pages. The campaign combined with the availability of the order form led to increased orders in the fourth quarter of 2013–14 but not enough to cover the decrease in orders experienced in the previous quarter. This was the only advertising initiative conducted for <i>Financial Basics</i> because the Agency had other fiscal priorities.</p> |

(continued)

| 2013–14 Financial resources (\$ millions)                                                               |                                                                      | 2013–14 Human resources (Full-time equivalents)                                                                                  |         |                                                                                                                                                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planned spending                                                                                        | Actual spending                                                      | Planned                                                                                                                          |         | Actual                                                                                                                                                                                                                                                                                                                                                                                          |
|                                                                                                         |                                                                      | Increase of 5% year-over-year in the number of website visits (and material requests combined) for <i>Your Financial Toolkit</i> | Not met | 10% increase in website visits and 66% decrease in material requests. We attribute the decrease to the removal of order forms from FCAC's website when it was relaunched in October 2013 to align with the federal government's print reduction policy. Once it became apparent that our new order process did not meet user needs, we reinstated the order forms on our website in early 2014. |
| Information on financial products/services and consumer financial rights is presented in clear language | Financial literacy material follows FCAC's clear language principles | FCAC's clear language principles are integrated in all new material and are maintained when the material is updated              | Met all | All FCAC financial education programs are written in plain language and follow FCAC's clear presentation guidelines.                                                                                                                                                                                                                                                                            |
| Market trends and emerging issues with an impact on financial consumers are monitored and evaluated     | Research projects are completed by agreed timeline                   | A gap analysis of financial education programs for newcomers is produced                                                         | Met all | Completed. The analysis concluded that adequate numbers of resources for newcomers exist and are available in Canada.                                                                                                                                                                                                                                                                           |

## Compliance Supervision and Enforcement

FRFE = federally regulated financial entity

| 2013–14 Financial resources (\$ millions)                                                                                                                              |                                                                | 2013–14 Human resources (Full-time equivalents)                                                                                                                                                                   |                    |                                                                                                                                                                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planned spending                                                                                                                                                       | Actual spending                                                | Planned                                                                                                                                                                                                           |                    | Actual                                                                                                                                                           |
| 2.99                                                                                                                                                                   | 2.79                                                           | 24.1                                                                                                                                                                                                              |                    | 24.1                                                                                                                                                             |
| Expected results                                                                                                                                                       | Performance indicators                                         | Targets/deliverables                                                                                                                                                                                              | Performance status | Performance summary                                                                                                                                              |
| Identification and prompt investigation of potential occurrences of non-compliance with the consumer provisions and the FRFEs' codes of conduct and public commitments | Established timelines for supervisory activities are respected | Examinations and assessments are carried out within set time frames. Time frames will be set based on the type of examinations/assessments as well as the complexity of the compliance issue.                     | Met all            | All examinations and assessments were carried out within the set time frames.                                                                                    |
|                                                                                                                                                                        |                                                                | 90% of complaints are triaged within 5 business days from receipt by the Compliance and Enforcement Branch                                                                                                        | Exceeded           | 98% of complaints were triaged within 5 business days.                                                                                                           |
|                                                                                                                                                                        |                                                                | 90% of compliance concerns identified in compliance cases are raised with the FRFE concerned within 30 business days from case opening date                                                                       | Exceeded           | In 99.1% of cases, concerns were raised with FRFEs within 30 business days                                                                                       |
|                                                                                                                                                                        |                                                                | Investigations of potential non-compliance with the consumer provisions are completed within the legislated 2 years                                                                                               | Mostly met         | 99.8% of investigations were completed within 2 years. One investigation exceeded this time frame because of inadequate staffing and the complexity of the case. |
|                                                                                                                                                                        |                                                                | Work with FRFEs to address outstanding issues identified through Clear Language Policies and Procedures Review                                                                                                    | Met all            | All FRFEs have completed action plans to address outstanding issues related to the review.                                                                       |
| Application of compliance or enforcement actions with FRFEs to rectify compliance deficiencies                                                                         | Compliance and enforcement actions are promptly undertaken     | 80% of the informal enforcement actions are prepared and submitted to the FRFE within 180 days from identifying the potential non-compliance with the consumer provisions, codes of conduct or public commitments | Exceeded           | 97% of informal enforcement actions were prepared and submitted to FRFEs within 180 days.                                                                        |

(continued)

| 2013–14 Financial resources (\$ millions)                                                                                              |                                                                | 2013–14 Human resources (Full-time equivalents)                                                                                                             |            |                                                                                                                                                                                                                                                                                                                                                        |
|----------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planned spending                                                                                                                       | Actual spending                                                | Planned                                                                                                                                                     |            | Actual                                                                                                                                                                                                                                                                                                                                                 |
|                                                                                                                                        | Correction of compliance deficiencies is monitored             | 90% of the correction of compliance deficiencies (informal action plans and compliance agreements) are reviewed within 90 days from the correction due date | Mostly met | 84% of action plans and compliance agreements were reviewed within 90 days.<br><br>Four reviews exceeded the time frame because they were complex in nature and required additional time to review documentation provided by FRFEs. In future, additional resources will be allocated to similarly complex files to ensure that the timelines are met. |
| FRFEs understand FCAC's role and their obligations to consumers, and are encouraged to adopt policies and procedures to implement them | A strong supervisory relationship with the FRFEs is maintained | Introduction letters are sent to new FRFEs within 60 days from the receipt of the Order to Commence                                                         | Met all    | Sent introduction letters to all new FRFEs within the set time frame.                                                                                                                                                                                                                                                                                  |
|                                                                                                                                        |                                                                | Meetings are held annually with 25% of the deposit-taking / lending or selected FRFEs                                                                       | Exceeded   | Met with 30% of deposit-taking / lending FRFEs.                                                                                                                                                                                                                                                                                                        |
|                                                                                                                                        |                                                                | FRFEs are informed of new or amended legislative requirements within 10 business days of coming into force                                                  | Met all    | Informed FRFEs of all new or amended legislative requirements within the set time frame.                                                                                                                                                                                                                                                               |

## Internal Services

| 2013–14 Financial resources (\$ millions)                                                                                                                                                       |                                                                                                                                                                           | 2013–14 Human resources (Full-time equivalents)                                                                                                   |                           |                                                                                                                                                                                                                                           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Planned spending                                                                                                                                                                                | Actual spending                                                                                                                                                           | Planned                                                                                                                                           | Actual                    |                                                                                                                                                                                                                                           |
| 5.30                                                                                                                                                                                            | 5.34                                                                                                                                                                      | 17.5                                                                                                                                              | 17.5                      |                                                                                                                                                                                                                                           |
| <b>Expected results</b>                                                                                                                                                                         | <b>Performance indicators</b>                                                                                                                                             | <b>Targets/deliverables</b>                                                                                                                       | <b>Performance status</b> | <b>Performance summary</b>                                                                                                                                                                                                                |
| FCAC has in place good practices to manage and deliver its programs effectively, efficiently and in compliance with the Government of Canada's policies and Management Accountability Framework | Independent audits and/or reviews of elements related to FCAC's applications of its policies and procedures and Government of Canada policies that are applicable to FCAC | For policies applicable to FCAC, no significant observations are raised in audit and/or review reports (i.e., no non-compliant findings)          | Not applicable            | There were no internal audits and/or reviews undertaken during the reporting period.                                                                                                                                                      |
|                                                                                                                                                                                                 |                                                                                                                                                                           | No significant gaps in findings with respect to best practices followed by FCAC in accordance with the <i>Policy on Internal Control</i>          | Met all                   | Ernst & Young conducted an independent review of FCAC's compliance with the Revenue Process Design and Testing component of the <i>Policy on Internal Control</i> , and found no significant gaps.                                        |
|                                                                                                                                                                                                 |                                                                                                                                                                           | By July 31, 2013, a Web Content Management System is implemented                                                                                  | Mostly met                | The new system was deployed on October 2, 2013, behind schedule because of unforeseen complexities and delays.                                                                                                                            |
|                                                                                                                                                                                                 |                                                                                                                                                                           | By July 31, 2013, the Treasury Board Secretariat Web Standards for the Government of Canada (previously Common Look and Feel 2.0) are implemented | Mostly met                | FCAC's website and online applications were updated in line with Government of Canada accessibility and usability standards. The project was completed on October 2, 2013, behind schedule because of unforeseen complexities and delays. |



# Financial Highlights

The Financial Consumer Agency of Canada (FCAC) is a federal government agency that is funded mostly through assessments of federally regulated financial entities.

In its 2008 budget, the Government of Canada announced funding of \$2 million per year as of fiscal year 2008–09 for its Financial Literacy Program. The funding is to support efforts to improve financial literacy in Canada. Beginning in fiscal year 2013–14, it was granted an additional \$3 million in government funding for its expanded mandate to collaborate and coordinate its financial literacy activities with stakeholders, with the aim of contributing to and supporting initiatives to strengthen the financial literacy of Canadians. FCAC is entitled to receive these parliamentary appropriations as authorized under section 13(3) of the *Financial Consumer Agency of Canada Act*. Due to the timing in the recruitment of new staff and the hiring of consultants to undertake activities, only \$171,266 of the \$3 million in funding was actually expended in 2013–14.

FCAC total expenses for fiscal year 2013–14 were \$14.19 million, an increase of \$1.01 million or 7.7 percent from fiscal year 2012–13. The increase is primarily due to higher human resource costs and investments in the Agency's technology infrastructure and applications.

The increase related to human resources of \$1,019,091 or 12.5 percent is primarily the result of staffing of vacant and new positions in 2013–14 within FCAC's programs (i.e., Compliance and Enforcement, Financial Literacy, and Internal Services), as well as planned growth in employees' compensation in accordance with terms and conditions of employment.

Information Management/Technology expenses were \$1,421,146, which represents a \$214,277 increase over the previous year due to contract-related expenses to support the Agency's Web and IT transformation and updates. The increase is also partially due to the development and implementation of new applications. Most of these have been capitalized and their amortization cost will be recognized over the next five years as the Agency benefits from these capitalized assets.

The increases described above were offset by a reduction in Administrative and Other costs of \$266,367 or 44.3 percent. The decrease is a result of FCAC's continued efforts to deliver information to Canadians in the most efficient and effective way, including the reduction of printing and publishing costs, and respecting the ceiling applicable to the Agency for advertising expenditures. In a similar fashion, travel costs decreased by \$99,085 or 57.5 percent in an effort to reduce travel costs Agency-wide, but also due to a reduction in speaking engagements by senior executives and fewer out-of-town conferences and trade shows in 2013–14 when compared to 2012–13.

From its inception, the Agency has been guided by the management principle that its focus should be on delivering the programs arising out of its mandated legislation. As a result, we have opted to use common and/or shared services to provide generic corporate services when it has been cost-effective to do so.

Strategic management partnerships continue to give the Agency the flexibility needed to manage evolving programs as cost-effectively and efficiently as possible.

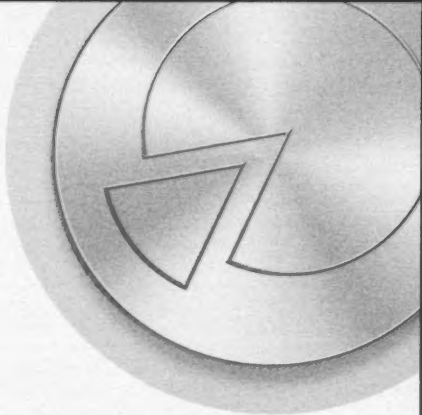
## Changes in Accounting Standards

FCAC applied IAS 19 *Employee Benefits (Revised 2011)* ("IAS 19") retroactively in the current period in accordance with the transitional provisions set out in the revised standard. As a result of this change, actuarial gains and losses on Defined Benefit Plans are no longer recognized in FCAC's Statement of Operations but in a separate Statement of Other Comprehensive Income (OCI). These costs totalling \$81,721 in 2012–13 have been reclassified to the Statement of OCI.

The current-year loss of \$68,640 is also presented separately on this statement.

Historically, these costs were presented as part of human resources costs in Note 14 to the financial statements.

There has been no change to the FCAC financial position as a result of adopting this change in presentation, nor has there been a change in FCAC's total costs. However, prior-year comparatives have been restated. Further details about IAS 19 can be found in Note 4 to the Financial Statements.



# Financial Statements

Financial Consumer  
Agency of Canada  
March 31, 2014

## **Statement of Management Responsibility Including Internal Control over Financial Reporting**

Responsibility for the integrity and objectivity of the accompanying financial statements for the years ended March 31, 2014, and March 31, 2013, and all information contained in these statements rests with the management of the Financial Consumer Agency of Canada (FCAC). These financial statements have been prepared by management in accordance with International Financial Reporting Standards.

Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of FCAC's financial transactions.

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

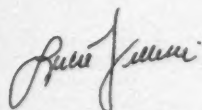
Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through an organizational structure that provides appropriate divisions of responsibility; through communications programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout FCAC; and through conducting an annual assessment of the effectiveness of the system of internal control over financial reporting.

An assessment for the year ended March 31, 2014, was completed in accordance with the Treasury Board Secretariat's *Policy on Internal Control*, and the results and action plan are summarized in the annex.

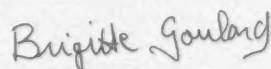
The system of internal control over financial reporting is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

The effectiveness and adequacy of FCAC's system of internal control is reviewed, as appropriate, by the risk-based work of internal audit staff—through a memorandum of understanding with the Office of the Superintendent of Financial Institutions—who conduct periodic risk-based audits of different areas of FCAC's operations, and by FCAC's Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends to the Commissioner the approval of the audited financial statements.

Deloitte LLP has audited the financial statements of FCAC and reports on its audit to the Minister of Finance. This report does not include an audit opinion on the annual assessment of the effectiveness of FCAC's internal controls over financial reporting.



**Lucie M.A. Tedesco**  
Commissioner  
Financial Consumer Agency of Canada



**Brigitte Goulard**  
Deputy Commissioner  
Chief Financial Officer

Ottawa, Canada  
June 23, 2014

## INDEPENDENT AUDITOR'S REPORT

To the Minister of Finance

We have audited the accompanying financial statements of the Financial Consumer Agency of Canada, which comprise the statement of financial position as at March 31, 2014, and the statement of operations, the statement of other comprehensive income, the statement of changes in deficiency and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

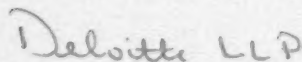
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Financial Consumer Agency of Canada as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



Chartered Professional Accountants, Chartered Accountants  
Licensed Public Accountants

June 23, 2014  
Ottawa, ON

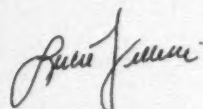
Financial Consumer Agency of Canada

# Statement of Financial Position

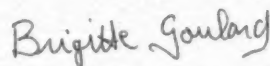
As at March 31, 2014

| (in Canadian dollars)                              | Note  | 2014                | 2013                |
|----------------------------------------------------|-------|---------------------|---------------------|
| <b>ASSETS</b>                                      |       |                     |                     |
| <b>Current Assets</b>                              |       |                     |                     |
| Cash Entitlement                                   |       | \$ 1,258,362        | 2,142,344           |
| Trade Receivables, Net                             | 7     | 110,630             | 166,857             |
| Other Receivables                                  | 7     | 661,111             | 294,892             |
| Prepaid Expenses                                   |       | 11,366              | 23,046              |
| <b>Non-Current Assets</b>                          |       |                     |                     |
| Property, Plant and Equipment                      | 9     | 275,905             | 439,621             |
| Intangible Assets                                  | 10    | 477,185             | 168,354             |
| <b>TOTAL ASSETS</b>                                |       | <b>\$ 2,794,559</b> | <b>\$ 3,235,114</b> |
| <b>LIABILITIES</b>                                 |       |                     |                     |
| <b>Current Liabilities</b>                         |       |                     |                     |
| Trade and Other Payables                           | 8, 15 | \$ 1,829,645        | \$ 1,975,510        |
| Unearned Assessments                               |       | 437,607             | 377,039             |
| Employee Benefits—Sick leave                       | 11    | 313,927             | 325,749             |
| Employee Benefits—Severance                        | 11    | 18,640              | 416,737             |
| <b>Non-Current Liabilities</b>                     |       |                     |                     |
| Employee Benefits—Severance                        | 11    | 208,709             | 154,048             |
| <b>Total Liabilities</b>                           |       | <b>2,808,528</b>    | <b>3,249,083</b>    |
| <b>DEFICIENCY</b>                                  |       |                     |                     |
| Accumulated Deficit                                | 17    | (13,969)            | (13,969)            |
| <b>TOTAL LIABILITIES AND DEFICIENCY</b>            |       | <b>\$ 2,794,559</b> | <b>\$ 3,235,114</b> |
| Operating Lease Arrangements and Other Commitments | 13    |                     |                     |

Approved by:



Commissioner  
Financial Consumer Agency of Canada



Deputy Commissioner  
Chief Financial Officer

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

# Statement of Operations

For the year ended March 31, 2014

| (In Canadian dollars)                                                                            | Note | 2014               | 2013<br>(Restated Note 4) |
|--------------------------------------------------------------------------------------------------|------|--------------------|---------------------------|
| <b>REVENUE</b>                                                                                   |      |                    |                           |
| Assessments                                                                                      |      | \$ 12,084,314      | \$ 11,258,265             |
| Other Revenue                                                                                    |      | 40                 | 5                         |
| <b>Total Revenue</b>                                                                             |      | <b>12,084,354</b>  | <b>11,258,270</b>         |
| <b>EXPENSES</b>                                                                                  |      |                    |                           |
| Salaries and Benefits                                                                            |      | 9,177,100          | 8,158,009                 |
| Professional Services                                                                            |      | 2,145,637          | 1,961,467                 |
| Information Management/Technology                                                                |      | 1,421,146          | 1,206,869                 |
| Accommodation                                                                                    |      | 987,928            | 1,038,391                 |
| Administrative and Other                                                                         |      | 335,382            | 601,749                   |
| Travel                                                                                           |      | 73,270             | 172,355                   |
| Interest                                                                                         | 15   | 46,517             | 37,710                    |
| <b>Total Expenses</b>                                                                            |      | <b>14,186,980</b>  | <b>13,176,550</b>         |
| <b>Net Results of Operations before Government Funding and Administrative Monetary Penalties</b> |      | <b>(2,102,626)</b> | <b>(1,918,280)</b>        |
| Government Funding                                                                               | 16   | 2,171,266          | 2,000,000                 |
| <b>Net Results of Operations before Administrative Monetary Penalties</b>                        |      | <b>68,640</b>      | <b>81,720</b>             |
| Administrative Monetary Penalties                                                                | 12   | 775,000            | 280,000                   |
| Administrative Monetary Penalties Earned on Behalf of the Government                             | 12   | (775,000)          | (280,000)                 |
| <b>Net Results of Operations</b>                                                                 |      | <b>\$ 68,640</b>   | <b>\$ 81,720</b>          |

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

## Statement of Other Comprehensive Income

For the year ended March 31, 2014

| (In Canadian dollars)                         | Note | 2014             | 2013<br>(Restated Note 4) |
|-----------------------------------------------|------|------------------|---------------------------|
| <b>Net Results of Operations</b>              |      | <b>\$ 68,640</b> | <b>\$ 81,720</b>          |
| <b>Other Comprehensive Income</b>             | 11   |                  |                           |
| Remeasurement Losses on Defined Benefit Plans | 11   | (68,640)         | (81,720)                  |
| <b>Total Comprehensive Income</b>             |      | <b>\$ —</b>      | <b>\$ —</b>               |

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

## Statement of Changes in Deficiency

| (In Canadian dollars)                        | Accumulated Deficit |
|----------------------------------------------|---------------------|
| <b>Deficit at March 31, 2012</b>             | <b>\$ (13,969)</b>  |
| Net Results of Operations (Restated Note 4)  | <b>81,720</b>       |
| Other Comprehensive Income (Restated Note 4) | <b>(81,720)</b>     |
| <b>Deficit at March 31, 2013</b>             | <b>(13,969)</b>     |
| Net Results of Operations                    | <b>68,640</b>       |
| Other Comprehensive Income                   | <b>(68,640)</b>     |
| <b>Deficit at March 31, 2014</b>             | <b>\$ (13,969)</b>  |

The accompanying notes are an integral part of these Financial Statements.

Financial Consumer Agency of Canada

# Statement of Cash Flows

For the year ended March 31, 2014

| (In Canadian dollars)                                                                       | Note | 2014                | 2013                |
|---------------------------------------------------------------------------------------------|------|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                 |      |                     |                     |
| Cash Receipts from Financial Entities and Other Government Departments                      |      | \$ 15,250,185       | \$ 13,626,833       |
| Cash Paid to Suppliers and Employees                                                        |      | (14,888,870)        | (12,487,127)        |
| Interest Paid                                                                               | 15   | (46,517)            | (37,710)            |
| Non-Respendable Administrative Monetary Penalties Remitted to the Consolidated Revenue Fund | 12   | (775,000)           | (280,000)           |
| <b>Net Cash (Used in) Provided by Operating Activities</b>                                  |      | <b>(460,202)</b>    | <b>821,996</b>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                 |      |                     |                     |
| Acquisition of Property, Plant and Equipment                                                | 9    | (82,160)            | (18,679)            |
| Acquisition of Intangible Assets                                                            | 10   | (341,620)           | (125,712)           |
| <b>Net Cash Used in Investing Activities</b>                                                |      | <b>(423,780)</b>    | <b>(144,391)</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                 |      |                     |                     |
| New Borrowings                                                                              | 15   | 8,000,000           | 7,000,000           |
| Repayments                                                                                  |      | (8,000,000)         | (7,000,000)         |
| <b>Net Cash Provided by Financing Activities</b>                                            |      | <b>—</b>            | <b>—</b>            |
| <b>NET INCREASE (DECREASE) IN CASH ENTITLEMENT</b>                                          |      | <b>(883,982)</b>    | <b>677,605</b>      |
| <b>CASH ENTITLEMENT, BEGINNING OF YEAR</b>                                                  |      | <b>2,142,344</b>    | <b>1,464,739</b>    |
| <b>CASH ENTITLEMENT, END OF YEAR</b>                                                        |      | <b>\$ 1,258,362</b> | <b>\$ 2,142,344</b> |

The accompanying notes are an integral part of these Financial Statements.

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 1. Authority and objectives

On October 24, 2001, the *Financial Consumer Agency of Canada Act* (the Act) came into force, establishing the Financial Consumer Agency of Canada (FCAC, or the Agency). The Financial Consumer Agency of Canada is responsible for strengthening the oversight of consumer protection measures in the federally regulated financial sector and for expanding consumer education activities. The Agency is a department of the Government of Canada and is listed in Schedule I.1 of the *Financial Administration Act*. The Government of Canada is FCAC's parent and the ultimate controlling party of FCAC.

FCAC's mandate is specifically set out in the *Financial Consumer Agency of Canada Act*. It must:

- a) supervise financial institutions to determine whether they are in compliance with
  - i. the consumer provisions applicable to them, and
  - ii. the terms and conditions or undertakings with respect to the protection of customers of financial institutions that the Minister of Finance (Minister) imposes or requires, as the case may be, under an Act listed in Schedule 1 and the directions that the Minister imposes under the Act;
- b) promote the adoption by financial institutions of policies and procedures designed to implement:
  - i. provisions, terms and conditions, undertakings or direction referred to in paragraph a,
  - ii. voluntary codes of conduct that are designed to protect the interests of their customers, that are adopted by financial institutions and that are publicly available, and
  - iii. any public commitments made by them that are designed to protect the interests of their customers;
- c) monitor the implementation of voluntary codes of conduct that are designed to protect the interests of customers of financial institutions, that have been adopted by financial institutions and that are publicly available; and monitor any public commitments made by financial institutions that are designed to protect the interests of their customers;
- d) promote consumer awareness about the obligations of financial institutions under consumer provisions applicable to them and about all matters connected with the protection of consumers of financial products and services;
- e) foster, in cooperation with any department, agency or agent corporation of the Government of Canada or of a province, financial institutions and consumer and other organizations, an understanding of financial services and issues relating to financial services;
- f) monitor and evaluate trends and emerging issues that may have an impact on consumers of financial products and services;
- g) collaborate and coordinate its activities with stakeholders to contribute to and support initiatives to strengthen the financial literacy of Canadians;
- h) supervise payment card network operators to determine whether they are in compliance with the provisions of the *Payment Card Networks Act* and its regulations;
- i) promote the adoption by payment card network operators of policies and procedures designed to implement the provisions of the *Payment Card Networks Act* and its regulations;

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 1. Authority and objectives (continued)

- j) monitor the implementation of voluntary codes of conduct that have been adopted by payment card network operators and that are publicly available; and monitor any public commitments made by them regarding their commercial practices in relation to payment card networks; and
- k) promote public awareness about the obligations of payment card network operators under a voluntary code of conduct or under the *Payment Card Networks Act*.

Section 18(3) of the Act provides that the Agency's costs of operations are to be assessed to the industry. Pursuant to section 13(2) of the Act, FCAC's operations are typically funded entirely through this process. FCAC is, however, entitled to receive a parliamentary appropriation as authorized under section 13(3) of the Act.

FCAC's assessment revenues are charged in accordance with the *Financial Consumer Agency of Canada Assessment of Financial Institutions Regulations* and the financial assessment methodology of payment card network operators, which outline the methodologies used to determine each institution's assessment.

The Agency manages its working capital requirements by borrowing funds from the Government of Canada as authorized under section 13(1) of the Act.

### 2. Background information

The financial statements for the year ended March 31, 2014, were authorized for issue by the Commissioner of the Financial Consumer Agency of Canada on June 23, 2014. The head office is located at 427 Laurier Avenue West in Ottawa, Ontario, Canada. FCAC's principal activities are described in Note 1.

### 3. Basis of presentation

The financial statements have been prepared on a historical cost basis, except for cash entitlement, which has been measured at fair value.

The financial statements are presented in Canadian dollars because that is the currency of the primary economic environment in which FCAC operates.

#### Statement of compliance

The financial statements of FCAC have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The accounting policies used in the financial statements are based on the IFRS applicable as at March 31, 2014, and encompass individual IFRS, International Accounting Standards (IAS), and interpretations made by the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC). The policies set out below are consistently applied to all periods presented.

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 4. New and amended standards and disclosures

During the fiscal year ended March 31, 2014, FCAC adopted certain IASB standards and amendments that require restatement of previous financial statements. These include IAS 19 *Employee Benefits (Revised 2011)* and amendments to IAS 1 *Presentation of Financial Statements*. Several other amendments apply for the first time in 2013. However, they do not impact the annual financial statements of FCAC and do not require any restatement.

The nature and the impact of each new standard and amendment are described below.

#### i) Fair value measurement

IFRS 13 *Fair Value Measurement* ("IFRS 13"), a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS standards, was issued by the IASB on May 12, 2011. IFRS 13 does not modify the date on which an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Application of IFRS 13 has not had any material impact on the fair value measurements of FCAC.

#### ii) Presentation of items of Other Comprehensive Income amendments to IAS 1

The amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1") include a requirement for entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially eligible to be reclassified to Net Results in a future period (e.g., net unrealized gain or loss on Available For Sale financial assets), or items not eligible (e.g., actuarial revaluation gains or losses on Defined Benefit Plans). As a result of adopting this amendment in conjunction with the changes to employee benefits discussed below, FCAC now presents a separate Statement of Operations and a separate Statement of Other Comprehensive Income. Previously only one Statement of Operations and Total Comprehensive Income was presented. The amendments affect presentation only and have no impact on FCAC's financial position or performance. The specific changes are discussed further below.

#### iii) Accounting for employee benefits

FCAC applied IAS 19 *Employee Benefits (Revised 2011)* ("IAS 19") retroactively in the current period in accordance with the transitional provisions set out in the revised standard. These changes affect the recognition of actuarial gains and losses by removing the option to use the corridor approach and requiring immediate recognition in Other Comprehensive Income (OCI). These OCI amounts cannot be reclassified to the Statement of Operations when the liability is ultimately settled. There are also changes to the recognition, measurement and presentation of past service costs, cost of benefits and finance expense or income relating to employee benefits. Further, termination benefits are recognized as a liability at the earlier of the date on which the entity can no longer withdraw the offer of the termination benefit or the date on which it recognizes any related restructuring costs. There are additional disclosure requirements with the revised standard.

## Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 4. New and amended standards and disclosures (continued)

FCAC applied the revised standard retroactively. The application of the revised standard in conjunction with the financial statement presentation changes arising from the adoption of the amendments to IAS 1 (discussed above) had the following impacts on FCAC's 2013 comparative annual results:

- Net Results increased by \$81,720 as a result of actuarial losses on defined benefit plans that are now recognized in OCI.
- OCI decreased by the actuarial losses of \$81,720 now presented in the Statement of Other Comprehensive Income.
- As FCAC did not previously use the corridor approach, this change is a reclassification only. The sum of net results now presented in the Statement of Operations and OCI presented in the Statement of Other Comprehensive Income equals the Net Results and Total Comprehensive Income previously presented in the combined Statement of Operations and Total Comprehensive Income.
- Comparatives as at April 1, 2012, in the Statement of Financial Position are not presented as there is no impact on this statement by the aforementioned.
- There is no change in total equity; however, the Statement of Changes in Deficiency now presents the Results of Operations and OCI separately.
- Note 14 has been restated to remove actuarial losses on defined benefit plans of \$81,720 from Human Resources Expense, as they are no longer classified as expenses but rather as OCI.

New standards and interpretations not yet adopted

#### i) Financial instruments

IFRS 9 *Financial Instruments* ("IFRS 9") was issued by the IASB in November 2009 and revised on October 28, 2010, and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model, and on the contractual cash flow characteristics of its financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9: "Fair Value Through Net Results" (FVTNR) and amortized cost. Financial liabilities held for trading are measured at FVTNR, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. At this time, management has determined that the impact of IFRS 9 on the financial statements of FCAC is not expected to be significant.

#### ii) Revenue

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 15 replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts and related Interpretations*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. This guidance is effective for reporting periods beginning on or after January 1, 2017, and early application is permitted. FCAC plans to adopt IFRS 15 beginning April 1, 2017, and is currently assessing the potential effects of these changes on its financial statements.

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 5. Summary of significant accounting policies

The significant accounting policies of FCAC are set out below.

#### a) Cash entitlement

FCAC does not have its own bank account. All of the financial transactions of the Agency are processed through the Consolidated Revenue Fund (CRF), a banking facility administered by the Receiver General for Canada. FCAC's cash entitlement represents the amount the Agency is entitled to withdraw from the CRF without further authority. This amount does not earn interest.

#### b) Financial instruments

The classification of financial instruments is determined by FCAC at initial recognition and depends on the purpose for which the financial assets were acquired or liabilities were incurred. All financial instruments are recognized initially at fair value.

The fair value of financial instruments on initial recognition is based on the transaction price, which represents the fair value of the consideration given or received. Subsequent to initial recognition, financial instruments are measured based on the accounting treatment corresponding to their classification.

| Classification                        | Accounting Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Fair Value Through Net Results</b> | Cash Entitlement is classified as "Fair Value Through Net Results."<br><br>Cash Entitlement is measured at fair value.                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Loans and Receivables</b>          | Trade Receivables and Other Receivables are classified as "Loans and Receivables."<br><br>Loans and Receivables are non-derivative financial assets with fixed or determinable payments that are not debt securities.<br><br>Subsequent to initial recognition, Loans and Receivables are measured at amortized cost using the effective interest method. Any gain, loss or interest income is recorded in revenues or expenses depending on the nature of the loan and receivable that gave rise to the gain, loss or interest income.                |
| <b>Other Financial Liabilities</b>    | Trade and Other Payables, and Unearned Assessments are classified as "Other Financial Liabilities."<br><br>Other Financial Liabilities are non-derivative financial liabilities that have not been designated at fair value.<br><br>Subsequent to initial recognition, Other Financial Liabilities are measured at amortized cost using the effective interest method. Any gain, loss or interest expense is recorded in revenues or expenses depending on the nature of the financial liability that gave rise to the gain, loss or interest expense. |

## Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 5. Summary of significant accounting policies (continued)

**Impairment of financial assets**—FCAC assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, FCAC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If FCAC determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment. If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the Statement of Operations.

#### c) Property, plant and equipment

Property, plant and equipment is stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes the cost of replacing parts of property, plant and equipment when incurred, if the recognition criteria are met. Repair and maintenance costs are recognized in the Statement of Operations as incurred.

Amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

| Assets                 | Useful Life                                          |
|------------------------|------------------------------------------------------|
| Furniture and Fixtures | 7 years                                              |
| Leasehold Improvements | lesser of useful life or remaining term of the lease |
| Informatics Software   | 5 years                                              |
| Office Equipment       | 4 years                                              |
| Informatics Hardware   | 3 years                                              |

Software is capitalized as property, plant and equipment when the software is integral to the use of the related hardware. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively if appropriate.

## Notes to the Financial Statements

For the year ended March 31, 2014

(In Canadian dollars)

### 5. Summary of significant accounting policies (continued)

#### d) Intangible assets

Intangible assets consist of internally developed and externally purchased software that is not an integral part of the related hardware.

Following initial recognition of the development expenditure as an asset, the historical cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of internally developed software consists of directly attributable costs necessary to create, produce and prepare the software to be capable of operating in the manner intended by FCAC.

FCAC holds intangible assets that have finite lives, and are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method are reviewed at least at each financial year-end. Amortization is calculated using the straight-line method over the intangible asset's estimated useful life of five years and is recorded in the relevant expense line item depending on the business activity to which the expense pertains.

Amortization of the assets begins when development is complete and the assets are available for use. They are amortized over the period of expected future benefit.

Costs incurred during the pre-development stage are expensed in the period incurred.

#### e) Impairment of non-financial assets

FCAC assesses at each reporting date whether there are any internal indicators that an asset may be impaired (e.g., damaged assets or assets no longer being used). If any indication exists, or when annual impairment testing for an asset is required, FCAC estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. There is no risk of not recovering the carrying amount of the asset given FCAC's cost recovery business model.

FCAC assesses internally developed intangible assets not yet in use for impairment on an annual basis.

#### f) Employee benefits

##### i) Short-term benefits

Short-term benefits are recorded in the Statement of Operations when an employee has rendered the service. Unpaid short-term compensated leave that has vested at the reporting date is accrued at year-end and not discounted. Short-term compensated leave expected to occur within 12 months of the reporting date is classified as short-term employee benefits. FCAC contributes to the Government of Canada-sponsored Public Service Health Care Plan and Dental Care Plan for employees.

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 5. Summary of significant accounting policies (continued)

#### *ii) Post-employment benefits*

##### Pension benefits

Substantially all of the employees of FCAC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total pension obligation of FCAC.

##### Severance

On termination of employment, employees are entitled to certain benefits provided for under their conditions of employment through a severance benefits plan. The cost of these benefits is accrued as the employees render their services necessary to earn severance benefits and represents the only obligation of FCAC for severance benefits. The severance benefits are based upon the final salary of the employee.

The cost of benefits is actuarially determined as at March 31 of each year using the projected benefit method prorated on services. The obligation is unfunded. The valuation of the liability is based upon a current market discount rate, which is based on the market yields at the Statement of Financial Position date on high-quality corporate bonds, and other actuarial assumptions; these represent management's best long-term estimates of factors such as future wage increases and employee resignation rates. All actuarial gains (losses) are recognized in Other Comprehensive Income in the Statement of Other Comprehensive Income.

##### Other benefits

The Government of Canada sponsors a variety of other benefit plans from which former employees may benefit upon retirement. The Public Service Health Care Plan and the Pensioners' Dental Services Plan are the two major plans available to FCAC retirees. These are defined benefit plans sponsored by the Government of Canada. Contributions are required by FCAC to cover current service cost. Pursuant to legislation currently in place, FCAC has no legal or constructive obligation to pay further contributions with respect to any past service or funding deficiencies of the Plan. Consequently, contributions are recognized as an expense in the year when employees have rendered service and represent the total obligation of FCAC with respect to these plans.

#### *iii) Other long-term benefits*

##### Sick leave

Employees are eligible to accumulate sick leave until retirement or termination. Unused sick leave is not eligible for payment on retirement or termination, nor can it be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments.

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. Any gains and losses are recognized in Net Results in the period in which they arise.

## Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 5. Summary of significant accounting policies (continued)

#### g) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases (net of any incentives received from the lessor) are charged to the Statement of Operations on a straight-line basis over the period of the lease.

FCAC does not have the borrowing authority to enter into lease agreements that are classified as finance leases. FCAC has established procedures to review all lease agreements and identify if the proposed terms and conditions would result in a transfer to FCAC of substantially all the benefits and risks incidental to ownership.

FCAC records the costs associated with operating leases in the Statement of Operations in the period in which they are incurred.

#### h) Government funding

Government funding, including parliamentary appropriations, are recognized when there is reasonable assurance that the funding will be received and when all attached conditions have been complied with. When the funding relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. The funding and corresponding expense item are recognized at their gross amounts.

#### i) Revenue recognition

FCAC recognizes revenue so as to recover its expenses. Any amounts that have been billed for which costs have not been incurred are classified as unearned assessments on the Statement of Financial Position. Revenue is recorded in the accounting period in which it is earned (service provided) whether or not it has been billed or collected. At March 31 of each year, amounts may have been collected in advance of the incurrence of costs or provision of services; alternatively, amounts may not have been collected and are owed to FCAC. FCAC assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. FCAC has concluded that it is acting as a principal in all of its revenue arrangements.

Assessments—Revenue from assessments is recognized based on actual costs incurred. The assessments are charged to recover costs and all costs are considered recoverable. Assessments are billed annually based on an estimate of the current fiscal year's costs of operations together with an adjustment for any differences between the previous year's assessed costs and actual. The assessment process is undertaken before December 31 in each year, in accordance with section 18(1) of the Act. As a result, at March 31 of each year, amounts may have been collected in advance of the incurrence of costs or, alternatively, funds may be owed to the Agency to fund its costs of operations.

The Commissioner may issue administrative monetary penalties when violations to consumer provisions occur. These penalties are imposed in cases where the Commissioner believes that there has been either a violation of the consumer provisions or non-compliance with any Compliance Agreement entered into pursuant to an act listed in Schedule 1 of the *Financial Consumer Agency of Canada Act*. The penalty amount may be as high as \$50,000 for an individual and \$500,000 for an institution. Penalties levied by FCAC are non-responsible and are to be remitted to the Consolidated Revenue Fund. The funds are not available to FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

## Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 6. Significant accounting judgments, estimates and assumptions

The preparation of FCAC's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability. In that case, the impact will be recognized in the financial statements of a future fiscal period.

#### Judgments

In the process of applying its accounting policies, management has made the following judgments which have the most significant effect on the amounts recognized in the financial statements:

##### Operating lease commitments—FCAC as lessee

Public Works and Government Services Canada (PWGSC) enters into commercial property leases for FCAC's office space and recovers such cost from FCAC. FCAC also enters into leases for certain office equipment. FCAC has determined, based on an evaluation of the terms and conditions of the arrangements, that significantly all of the risks and rewards of ownership have not been transferred to FCAC and it therefore accounts for these contracts as operating leases.

##### Administrative monetary penalties—FCAC as principal

FCAC has determined it is the principal in the arrangement and has recorded revenue on a gross basis.

#### Estimates and assumptions

Discussed below are the key assumptions concerning the future and other key sources of estimation uncertainty at the Statement of Financial Position date, having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

##### Estimated useful lives of assets

The estimated useful lives of property, plant and equipment and intangible assets are based on management's intentions with respect to the asset, historical experience with the asset, internal asset management plans and other factors as determined by management. The useful lives are reviewed on an annual basis and any revisions to the useful lives are accounted for prospectively.

##### Severance benefits

The cost of defined benefit severance plan as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in Canada with AAA or AA ratings and with maturities matching the estimated cash flows of the severance payments. Departure rates are based on experience from the Public Service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

Further details about the assumptions used are given in Note 11(a).

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

## 6. Significant accounting judgments, estimates and assumptions (continued)

### Sick leave

The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, usage rates, and departure rates. All assumptions are reviewed annually as at March 31. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in Canada with AAA or AA ratings and with maturities matching the estimated sick leave usage. Departure rates are based on experience from the Public Service of Canada and include mortality, disability, termination and retirement. Future salary increases are based on expected future inflation rates in Canada.

There are no other accounting assumptions or estimates that have been identified as having a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next fiscal year.

## 7. Trade and other receivables

The breakdown of all amounts owing to FCAC, by type is as follows:

|                                 | Federally<br>Regulated<br>Financial Entities | Other            | Total<br>March 31, 2014 |
|---------------------------------|----------------------------------------------|------------------|-------------------------|
| Trade Receivables               | \$ 120,630                                   | \$ —             | \$ 120,630              |
| Allowance for Doubtful Accounts | (10,000)                                     | —                | (10,000)                |
| <b>Trade Receivables, Net</b>   | <b>110,630</b>                               | <b>—</b>         | <b>110,630</b>          |
| <b>Other</b>                    |                                              |                  |                         |
| Related Parties                 | —                                            | 11,111           | 11,111                  |
| Other Receivables               | 650,000                                      | —                | 650,000                 |
| <b>Total Other</b>              | <b>650,000</b>                               | <b>11,111</b>    | <b>661,111</b>          |
| <b>Total</b>                    | <b>\$ 760,630</b>                            | <b>\$ 11,111</b> | <b>\$ 771,741</b>       |
| <b>% of Total Exposure</b>      | <b>98.6 %</b>                                | <b>1.4 %</b>     | <b>100.0 %</b>          |

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 7. Trade and other receivables (continued)

|                                 |           | Federally<br>Regulated<br>Financial Entities |           | Other         | Total<br>March 31, 2013 |
|---------------------------------|-----------|----------------------------------------------|-----------|---------------|-------------------------|
| Trade Receivables               | \$        | 175,857                                      | \$        | —             | \$ 175,857              |
| Allowance for Doubtful Accounts |           | (9,000)                                      |           | —             | (9,000)                 |
| <b>Trade Receivables, Net</b>   |           | <b>166,857</b>                               |           | <b>—</b>      | <b>166,857</b>          |
| <b>Other</b>                    |           |                                              |           |               |                         |
| Related Parties                 |           | —                                            |           | 9,575         | 9,575                   |
| Other Receivables               |           | 225,000                                      |           | 60,317        | 285,317                 |
| <b>Total Other</b>              |           | <b>225,000</b>                               |           | <b>69,892</b> | <b>294,892</b>          |
| <b>Total</b>                    | <b>\$</b> | <b>391,857</b>                               | <b>\$</b> | <b>69,892</b> | <b>\$ 461,749</b>       |
| <b>% of Total Exposure</b>      |           | <b>84.9 %</b>                                |           | <b>15.1 %</b> | <b>100.0 %</b>          |

FCAC records an allowance for doubtful accounts considering the age of an outstanding receivable and the likelihood of its collection. Provision is also made where collection of the receivable is doubtful based on information gathered through collection efforts. An allowance is reversed once collection of the debt is successful or the amount is written off. Impairment losses on accounts receivable recognized during the year ended March 31, 2014, were \$1,000 (March 31, 2013: \$1,000). Recoveries during the same period totalled nil (March 31, 2013: nil).

A trade receivable will be considered to be impaired and written off when FCAC is certain that collection will not occur and all requirements of the *Debt Write-Off Regulations, 1994* have been met. During the period, no interest was earned on impaired assets and none of the past due amounts were renegotiated. Those that are neither past due nor provided for or impaired are considered to be fully collectible.

As at March 31, 2014, the aging of non-related party trade receivables was as follows (for terms and conditions relating to related-party receivables, refer to Note 8):

| Days outstanding | Current  | 31-60      | 61-90 | 91-120    | > 120     | Total      |
|------------------|----------|------------|-------|-----------|-----------|------------|
| March 31, 2014   | \$ —     | \$ 98,699  | \$ —  | \$ 11,931 | \$ 10,000 | \$ 120,630 |
| March 31, 2013   | \$ 1,000 | \$ 116,224 | \$ —  | \$ 50,648 | \$ 7,985  | \$ 175,857 |

All assessments receivable and accrued assessments are recoverable from federally regulated financial entities (includes banks, trust and loan companies, life insurance companies, property and casualty insurance companies, retail associations and payment card network operators). FCAC regulates over 375 financial entities and does not have a significant receivable from any individual financial entity.

Refer to Note 15(c) for further information on credit risk applicable to FCAC.

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 8. Related-party transactions

#### a) The ultimate parent

The Government of Canada is the ultimate parent of FCAC, and has control over FCAC.

#### b) Compensation of key management personnel

Key management personnel includes the following positions: the Commissioner, Deputy Commissioner, and directors of FCAC. Total compensation paid to key management personnel for the year ended March 31 is provided in the table below.

|                                    | 2014                | 2013                |
|------------------------------------|---------------------|---------------------|
| Short-term employee benefits       | \$ 1,337,656        | \$ 1,499,590        |
| Post-employment benefits           | 267,650             | 352,050             |
| Other long-term benefits           | 18,349              | 21,107              |
| <b>Total</b>                       | <b>\$ 1,623,655</b> | <b>\$ 1,872,747</b> |
| <b>Average Number of Employees</b> | <b>7</b>            | <b>8</b>            |

#### c) Government related entities

FCAC is related, in terms of common ownership, to all Government of Canada departments, agencies and Crown corporations. FCAC enters into transactions with these entities in the normal course of business and on normal trade terms.

## Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

**8. Related-party transactions (continued)**

During the year ended March 31, 2014, FCAC purchased goods and services for \$4,600,026 (2013: \$3,769,384) and earned revenue of \$99,352 (2013: \$103,498) from transactions with other government departments. Individually, these transactions were in the normal course of business. Although most transactions are not individually significant, FCAC did have the following individually significant transactions:

| Entity                                                 | Nature                                                 | 2014<br>Expenditures | 2014<br>Payable | 2013<br>Expenditures | 2013<br>Payable |
|--------------------------------------------------------|--------------------------------------------------------|----------------------|-----------------|----------------------|-----------------|
| Treasury Board Secretariat                             | Pension contributions and other employee benefits      | \$ 1,796,863         | \$ 116,559      | \$ 1,542,558         | \$ 91,339       |
| Public Works and Government Services Canada            | Accommodation, translation services and other services | 962,429              | 40,537          | 869,273              | 2,976           |
| Office of the Superintendent of Financial Institutions | Finance, human resources and internal audit services   | 577,487              | 227,451         | 382,397              | 37,407          |
| Department of Justice                                  | Legal services                                         | 223,981              | 17,321          | 215,063              | 19,111          |
| Canadian Human Rights Commission                       | Human resources services                               | 331,501              | 74              | 171,132              | —               |
| Shared Services Canada                                 | Communication and other services                       | 78,752               | 5,325           | 165,424              | 54,226          |

As at March 31, 2014, the amounts of trade receivables and trade and other payables from these related parties are \$11,111 (March 31, 2013: \$9,575) and \$588,334 (March 31, 2013: \$428,781), respectively.

FCAC was granted a parliamentary appropriation of up to \$5,000,000 for the fiscal year ended March 31, 2014 (2013: \$2,000,000) for the purpose of supporting, collaborating and coordinating its activities and efforts with stakeholders to improve and strengthen the financial literacy of Canadians. During the year ended March 31, 2014, FCAC spent an appropriation of \$2,171,266 (2013: \$2,000,000).

Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

## 9. Property, plant and equipment

| Cost                             |    | Leasehold<br>improvements | Furniture<br>and fixtures | Office<br>equipment | Informatics<br>hardware | Informatics<br>software | Total               |
|----------------------------------|----|---------------------------|---------------------------|---------------------|-------------------------|-------------------------|---------------------|
| <b>Balance at March 31, 2012</b> | \$ | <b>916,339</b>            | \$ <b>816,356</b>         | \$ <b>58,531</b>    | \$ <b>278,300</b>       | \$ <b>20,244</b>        | \$ <b>2,089,770</b> |
| Additions                        |    | —                         | —                         | —                   | 18,679                  | —                       | 18,679              |
| <b>Balance at March 31, 2013</b> | \$ | <b>916,339</b>            | \$ <b>816,356</b>         | \$ <b>58,531</b>    | \$ <b>296,979</b>       | \$ <b>20,244</b>        | \$ <b>2,108,449</b> |
| Additions                        |    | 6,124                     | 51,023                    | —                   | 25,013                  | —                       | 82,160              |
| <b>Balance at March 31, 2014</b> | \$ | <b>922,463</b>            | \$ <b>867,379</b>         | \$ <b>58,531</b>    | \$ <b>321,992</b>       | \$ <b>20,244</b>        | \$ <b>2,190,609</b> |

### Accumulated depreciation and impairment

|                                  |    |                |    |                |    |               |    |                |    |               |    |                  |
|----------------------------------|----|----------------|----|----------------|----|---------------|----|----------------|----|---------------|----|------------------|
| <b>Balance at March 31, 2012</b> | \$ | <b>638,725</b> | \$ | <b>587,409</b> | \$ | <b>43,927</b> | \$ | <b>123,745</b> | \$ | <b>15,184</b> | \$ | <b>1,408,990</b> |
| Depreciation expense             |    | 117,303        |    | 47,691         |    | 7,549         |    | 83,247         |    | 4,048         |    | 259,838          |
| <b>Balance at March 31, 2013</b> | \$ | <b>756,028</b> | \$ | <b>635,100</b> | \$ | <b>51,476</b> | \$ | <b>206,992</b> | \$ | <b>19,232</b> | \$ | <b>1,668,828</b> |
| Depreciation expense             |    | 117,303        |    | 51,757         |    | 3,045         |    | 72,759         |    | 1,012         |    | 245,876          |
| <b>Balance at March 31, 2014</b> | \$ | <b>873,331</b> | \$ | <b>686,857</b> | \$ | <b>54,521</b> | \$ | <b>279,751</b> | \$ | <b>20,244</b> | \$ | <b>1,914,704</b> |

### Net book value

|                                  |    |                |    |                |    |              |    |               |    |              |    |                |
|----------------------------------|----|----------------|----|----------------|----|--------------|----|---------------|----|--------------|----|----------------|
| <b>Balance at March 31, 2013</b> | \$ | <b>160,311</b> | \$ | <b>181,256</b> | \$ | <b>7,055</b> | \$ | <b>89,987</b> | \$ | <b>1,012</b> | \$ | <b>439,621</b> |
| <b>Balance at March 31, 2014</b> | \$ | <b>49,132</b>  | \$ | <b>180,522</b> | \$ | <b>4,010</b> | \$ | <b>42,241</b> | \$ | <b>—</b>     | \$ | <b>275,905</b> |

None of the assets held have any restriction on title and none of the assets have been pledged as security for liabilities. As at March 31, 2014, FCAC had \$1,256,364 of capital assets at cost that were fully depreciated and still in use. These assets are near the end of their useful life and their fair value is insignificant.

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 10. Intangible assets

|                                  |           | Software       | Software under development | Total             |
|----------------------------------|-----------|----------------|----------------------------|-------------------|
| <b>COST</b>                      |           |                |                            |                   |
| <b>Balance at March 31, 2012</b> | <b>\$</b> | <b>126,099</b> | <b>\$ —</b>                | <b>\$ 126,099</b> |
| Additions                        |           | 4,400          | 121,312                    | 125,712           |
| Transfer to in use               |           | 14,310         | (14,310)                   | —                 |
| <b>Balance at March 31, 2013</b> | <b>\$</b> | <b>144,809</b> | <b>\$ 107,002</b>          | <b>\$ 251,811</b> |
| Additions                        |           | 9,031          | 332,589                    | 341,620           |
| Transfer to in use               |           | 220,158        | (220,158)                  | —                 |
| <b>Balance at March 31, 2014</b> | <b>\$</b> | <b>373,998</b> | <b>\$ 219,433</b>          | <b>\$ 593,431</b> |
| <b>ACCUMULATED AMORTIZATION</b>  |           |                |                            |                   |
| <b>Balance at March 31, 2012</b> | <b>\$</b> | <b>60,869</b>  | <b>\$ —</b>                | <b>\$ 60,869</b>  |
| Amortization                     |           | 22,588         | —                          | 22,588            |
| <b>Balance at March 31, 2013</b> | <b>\$</b> | <b>83,457</b>  | <b>\$ —</b>                | <b>\$ 83,457</b>  |
| Amortization                     |           | 32,789         | —                          | 32,789            |
| <b>Balance at March 31, 2014</b> | <b>\$</b> | <b>116,246</b> | <b>\$ —</b>                | <b>\$ 116,246</b> |
| <b>NET BOOK VALUE</b>            |           |                |                            |                   |
| Balance at March 31, 2013        | \$        | 61,352         | \$ 107,002                 | \$ 168,354        |
| <b>Balance at March 31, 2014</b> | <b>\$</b> | <b>257,752</b> | <b>\$ 219,433</b>          | <b>\$ 477,185</b> |

As at March 31, 2014, FCAC had \$31,344 of intangible assets at cost that were fully amortized and still in use. These assets are near the end of their useful life and their fair value is insignificant.

### 11. Employee benefits

#### a) Post-employment benefits

##### i. Pension benefits

Substantially all of the employees of FCAC are covered by the Public Service Pension Plan (the "Plan"), a contributory defined benefit plan established through legislation and sponsored by the Government of Canada. Contributions are required by both the employees and FCAC. The President of the Treasury Board of Canada sets the required employer contributions based on a multiple of the employees' required contribution. The general contribution rate effective at the end of the period was 11.885 % (2013: 12.062%). Total contributions of \$822,763 (2013: \$721,201) were recognized as expense in the current period.

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 11. Employee benefits (continued)

The Government of Canada holds a statutory obligation for the payment of benefits relating to the Plan. Pension benefits generally accrue up to a maximum period of 35 years at an annual rate of 2% of pensionable service times the average of the best five consecutive years of earnings. The benefits are coordinated with Canada/Quebec Pension Plan benefits and they are indexed to inflation.

#### ii. Severance benefits

Information about FCAC's severance benefit plan is presented in the table below.

|                                                                    |           | March 31,<br>2014 |           | March 31,<br>2013 |
|--------------------------------------------------------------------|-----------|-------------------|-----------|-------------------|
| <b>Accrued Benefit Obligation, beginning of the year</b>           | <b>\$</b> | <b>570,785</b>    | <b>\$</b> | <b>430,540</b>    |
| Current service cost                                               |           | 7,246             |           | 59,293            |
| Interest cost                                                      |           | 14,423            |           | 17,733            |
| Benefits paid                                                      |           | (433,745)         |           | (64,908)          |
| Curtailment loss                                                   |           |                   |           | 46,407            |
| Actuarial loss                                                     |           | 68,640            |           | 81,720            |
| <b>Accrued Benefit Obligation, end of the year<sup>1</sup></b>     | <b>\$</b> | <b>227,349</b>    | <b>\$</b> | <b>570,785</b>    |
| Current Portion of Accrued Benefit Obligation, end of the period   | \$        | 18,640            | \$        | 416,737           |
| Long-term Portion of Accrued Benefit Obligation, end of the period |           | 208,709           |           | 154,048           |
| <b>Accrued Benefit Obligation, end of the year<sup>1</sup></b>     | <b>\$</b> | <b>227,349</b>    | <b>\$</b> | <b>570,785</b>    |
| <b>Net Benefit Plan Expense</b>                                    |           |                   |           |                   |
| Current service cost                                               |           | 7,246             |           | 59,293            |
| Interest cost                                                      |           | 14,423            |           | 17,733            |
| Curtailment loss                                                   |           |                   |           | 46,407            |
| Actuarial loss                                                     |           | 68,640            |           | 81,720            |
| <b>Benefit Expense</b>                                             | <b>\$</b> | <b>90,309</b>     | <b>\$</b> | <b>205,153</b>    |

<sup>1</sup> The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 5(i) to the financial statements. Amounts collected in excess of benefits paid are presented on the Statement of Financial Position under the heading of Cash Entitlement.

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Cumulative actuarial losses (gains) recorded in income since April 1, 2010, the date of FCAC's transition to IFRS, are \$135,901 (2013: \$67,261).

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

## 11. Employee benefits (continued)

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 4.15% (2013: 4.01%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2014, is an annual economic increase of 1.0% for the plan year 2015 (2013: 2.0% for the plan years 2014 and 2015). Thereafter, an annual economic increase of 1.5% is assumed (2013: 2.0%). The average remaining service period of active employees covered by the benefit plan is 16 years (2013: 16 years).

The benefits paid amount of \$433,745 includes payments made to employees who opted to take an immediate cash settlement as a result of the plan curtailment.

FCAC has adopted the following disclosure requirements prospectively from the date of transition to IFRS.

Amounts for the current and previous four periods are as follows:

| Employee Benefits — Severance | Accrued benefit obligation | Actuarial losses (gains) recognized during the year |
|-------------------------------|----------------------------|-----------------------------------------------------|
| <b>March 31, 2014</b>         | \$ 227,349                 | \$ 68,640                                           |
| <b>March 31, 2013</b>         | 570,785                    | 81,270                                              |
| <b>March 31, 2012</b>         | 430,540                    | 41,227                                              |
| <b>March 31, 2011</b>         | 465,875                    | (55,686)                                            |
| <b>April 1, 2010</b>          | 438,540                    | —                                                   |

### Curtailment

Effective September 30, 2011, FCAC modified its severance plan for Executive-level employees. All Executive-level employees ceased accumulating benefits under the severance plan. Employees were given three options with respect to the benefits accumulated under this plan. The choices were to take the severance earned to date immediately as a cash payment, continue to defer payment until retirement or voluntary departure, or a combination of the latter two options.

Effective May 22, 2013, all non-Executive level employees ceased accumulating benefits under the severance plan. Employees within this group were given the same three options with respect to the benefits accumulated under this plan.

### Sensitivity analysis

The discount rate used to estimate the present value of the severance benefit obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0% change in the discount rate would have had the following effects for 2014.

| Change in discount rate of 1.0% | Increase    | Decrease  |
|---------------------------------|-------------|-----------|
| Accrued benefit obligation      | \$ (22,002) | \$ 26,473 |

These sensitivities are hypothetical and should be used with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another, which may magnify or counteract the sensitivities.

# Financial Consumer Agency of Canada

## Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 11. Employee benefits (continued)

b) Other long-term benefits

i. Sick leave

Information about FCAC's sick leave plan is presented in the table below.

|                                                                | March 31,<br>2014 | March 31,<br>2013 |
|----------------------------------------------------------------|-------------------|-------------------|
| <b>Accrued Benefit Obligation, beginning of the year</b>       | <b>\$ 325,749</b> | <b>\$ 235,950</b> |
| Current service cost                                           | 53,435            | 39,892            |
| Interest cost                                                  | 13,863            | 10,305            |
| Benefits paid                                                  | (8,998)           | (16,507)          |
| Actuarial (gain) loss                                          | (70,122)          | 56,109            |
| <b>Accrued Benefit Obligation, end of the year<sup>1</sup></b> | <b>\$ 313,927</b> | <b>\$ 325,749</b> |
| <b>Net Benefit Plan Expense</b>                                |                   |                   |
| Current service cost                                           | 53,435            | 39,892            |
| Interest cost                                                  | 13,863            | 10,305            |
| Actuarial (gain) loss                                          | (70,122)          | 56,109            |
| <b>Benefit Expense</b>                                         | <b>\$ (2,824)</b> | <b>\$ 106,306</b> |

<sup>1</sup> The cost corresponding to annual changes in the accrued benefit liability is recovered from FCAC's various sources of revenue outlined in Note 5(i) to the financial statements. Amounts collected in excess of benefits paid are presented on the Statement of Financial Position under the heading of Cash Entitlement.

Annually, as at March 31 of each year, FCAC obtains an actuarial valuation of its accrued benefit obligation. Actuarial assumptions are reviewed at each valuation date. Cumulative actuarial losses recorded in income since April 1, 2010, the date of FCAC's transition to IFRS, are \$191,453 (2013: \$261,575).

The significant actuarial assumption adopted in measuring FCAC's accrued benefit obligation is a discount rate of 4.22% (2013: 3.96%). For measurement purposes, management's best estimate for the general salary increases to estimate the current service cost and the accrued benefit obligation as at March 31, 2014, is an annual economic increase of 1.0% for the plan year 2015 (2013: 2.0% for the plan years 2014 and 2015). Thereafter, an annual economic increase of 1.5% is assumed (2013: 2.0%). The average remaining service period of active employees covered by the benefit plan is 16 years (2013: 16 years).

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014  
(in Canadian dollars)

### 11. Employee benefits (continued)

FCAC has adopted the following disclosure requirements prospectively from the date of transition to IFRS.

Amounts for the current and previous four periods are as follows:

| Employee Benefits—Sick Leave | Accrued benefit obligation | Actuarial losses (gains) recognized during the year |
|------------------------------|----------------------------|-----------------------------------------------------|
| <b>March 31, 2014</b>        | \$ 313,927                 | \$ (70,122)                                         |
| <b>March 31, 2013</b>        | 325,749                    | 56,109                                              |
| <b>March 31, 2012</b>        | 235,950                    | 194,212                                             |
| <b>March 31, 2011</b>        | 93,333                     | 11,254                                              |
| <b>April 1, 2010</b>         | 70,211                     | —                                                   |

#### Sensitivity analysis

The discount rate and sick leave usage rate used to estimate the present value of the sick leave obligation has a significant effect on the obligation at the end of the year, as well as on the current service and interest costs. A 1.0% change in the discount rate or the sick leave usage rate would have had the following effects for 2014.

| Change in discount rate of 1.0%   | Increase    | Decrease    |
|-----------------------------------|-------------|-------------|
| <b>Accrued benefit obligation</b> | \$ (34,322) | \$ 41,287   |
| Change in usage rate of 1.0%      | Increase    | Decrease    |
| <b>Accrued benefit obligation</b> | \$ 13,080   | \$ (13,080) |

These sensitivities are hypothetical and should be used with caution. The relationship of a change in assumption to the change in value may not be linear. Changes in one factor may result in changes in another, which may magnify or counteract the sensitivities.

### 12. Administrative monetary penalties

Administrative monetary penalties levied by FCAC are remitted to the Consolidated Revenue Fund. The funds are not available for use by FCAC and, as a result, the penalties do not reduce the amount that FCAC assesses the industry in respect of its operating costs.

In the period ended March 31, 2014, FCAC levied \$775,000 (2013: \$280,000) in administrative monetary penalties. The March 31, 2013, balance includes \$5,000 of fees and costs reimbursed by a financial entity that had appealed an administrative monetary penalty. The appeal was not successful.

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 13. Operating lease arrangements

Minimum lease payments under operating leases recognized as an expense during the year ended March 31, 2014, were \$1,510,086 (2013: \$1,371,374).

FCAC has entered into operating lease agreements for office space and office equipment and contracts for services. These leases have an average life of between one and five years, with no renewal option included in the contracts. There are no restrictions placed upon FCAC when entering into these leases. The minimum aggregate annual payments for future fiscal years are as follows:

|                                             | 2014                | 2013                |
|---------------------------------------------|---------------------|---------------------|
| Within one year                             | \$ 1,140,011        | \$ 1,406,708        |
| After one year but not more than five years | 1,869,024           | 2,527,342           |
| More than five years                        | —                   | —                   |
| <b>Total</b>                                | <b>\$ 3,009,035</b> | <b>\$ 3,934,050</b> |

### 14. Human resources expense

|                                               | March 31,<br>2014   | March 31,<br>2013<br>(Restated—Note 4) |
|-----------------------------------------------|---------------------|----------------------------------------|
| Wages and salaries                            | \$ 7,196,934        | \$ 6,231,277                           |
| Other benefits                                | 1,108,849           | 1,029,513                              |
| Post-employment benefits other than severance | 829,199             | 727,261                                |
| Severance benefits                            | 21,669              | 123,433                                |
| Other personnel costs                         | 20,449              | 46,525                                 |
| <b>Total Human Resources Expense</b>          | <b>\$ 9,177,100</b> | <b>\$ 8,158,009</b>                    |

## Notes to the Financial Statements

For the year ended March 31, 2014

(In Canadian dollars)

### 15. Financial risk management

FCAC's financial liabilities include Trade and Other Payables, and Unearned Assessments. The main purpose of these liabilities is to provide short-term financing for FCAC's operations. Financial assets include Cash Entitlement, Trade Receivables and Other Receivables.

FCAC is exposed to market risk, credit risk and liquidity risk in connection with financial instruments.

#### a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. FCAC is exposed to currency risk on any amounts payable that are to be settled in a currency other than the Canadian dollar, and is exposed to interest rate risk as discussed below. FCAC is not exposed to other price risk.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. FCAC's exposure to the risk of changes in foreign exchange rates relates primarily to the Agency's operating activities (when expenses are denominated in a currency other than the Canadian dollar).

FCAC manages its exposure to currency risk by structuring its contracts in Canadian dollars wherever possible. The majority of FCAC's transactions are denominated in Canadian dollars; consequently, FCAC's exposure to currency risk is insignificant.

There is no impact on revenue since all billings are done in Canadian dollars.

#### b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. FCAC's exposure to the risk of market interest rates relates primarily to FCAC's loans payable with floating interest rate as determined by the Department of Finance Canada. FCAC attempts to reduce the borrowings necessary by effectively forecasting its required cash flows from assessments from financial entities. FCAC is not authorized to enter into any arrangements in order to reduce its exposure to interest rate risk.

The table below demonstrates the sensitivity of FCAC's operating expenses to a 1% fluctuation in market interest rates, with all other variables held constant.

|                | Fluctuation in<br>Interest Rate | Effect on<br>Expenses |
|----------------|---------------------------------|-----------------------|
| March 31, 2014 | +1%                             | \$ 40,877             |
|                | -1%                             | (40,877)              |
| March 31, 2013 | +1%                             | \$ 33,178             |
|                | -1%                             | (33,178)              |

## Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 15. Financial risk management (continued)

#### c) Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument, resulting in a financial loss for FCAC. The maximum exposure FCAC has to credit risk as at March 31, 2014, is \$771,741 (March 31 2013: \$461,749), which is equal to the carrying value of its Trade Receivables and Other Receivables.

All federally regulated financial entities are required to register with FCAC and pay the assessments as established by FCAC. Any loss incurred by FCAC as a result of a counterparty's not meeting its obligations is recorded in the year incurred and collected in the following year, as outlined in the *Financial Consumer Agency of Canada Act*. All remaining receivables are with other government organizations, where there is minimal potential risk of loss. FCAC does not hold collateral as security.

#### d) Liquidity risk

Liquidity risk is the risk that FCAC will encounter difficulty in meeting obligations associated with current and future financial liabilities. FCAC's objective is to maintain sufficient Cash Entitlement through collection of assessments and fees in order to meet its operating requirements. FCAC manages liquidity risk through a detailed annual planning and billing process, which is structured to allow for sufficient liquidity from one billing period to the next. FCAC's objective is to accurately estimate its operating costs for the year in order to accurately estimate the assessments and fees to be collected from federally regulated financial entities.

FCAC's policy is to satisfy liabilities by the following means (in decreasing order of priority):

- Cash Entitlement
- Borrowings from the Consolidated Revenue Fund

## Financial Consumer Agency of Canada

# Notes to the Financial Statements

For the year ended March 31, 2014

(in Canadian dollars)

### 15. Financial risk management (continued)

The table below summarizes the maturity profile of FCAC's financial liabilities at March 31, 2014, and March 31, 2013, based on contractual undiscounted payments. When the counterparty has a choice of the date when the amount is paid, the liability is allocated to the earliest period in which FCAC can be required to pay. When amounts are due in instalments, each instalment is allocated to the earliest period in which FCAC can be required to pay.

|                          | On demand         | Less than 3 months  | 3 to 12 months    | 1 to 5 years | greater than 5 years | March 31, 2014 Total |
|--------------------------|-------------------|---------------------|-------------------|--------------|----------------------|----------------------|
| Trade and Other Payables | \$ 340,967        | \$ 1,144,298        | \$ 344,380        | \$ —         | \$ —                 | \$ 1,829,645         |
| Unearned Assessments     | —                 | —                   | 437,607           | —            | —                    | 437,607              |
| <b>Total</b>             | <b>\$ 340,967</b> | <b>\$ 1,144,298</b> | <b>\$ 781,987</b> | <b>\$ —</b>  | <b>\$ —</b>          | <b>\$ 2,267,252</b>  |

|                          | On demand         | Less than 3 months  | 3 to 12 months    | 1 to 5 years | Greater than 5 years | March 31, 2013 Total |
|--------------------------|-------------------|---------------------|-------------------|--------------|----------------------|----------------------|
| Trade and Other Payables | \$ 306,953        | \$ 1,365,757        | \$ 302,800        | \$ —         | \$ —                 | \$ 1,975,510         |
| Unearned Assessments     | —                 | —                   | 377,039           | —            | —                    | 377,039              |
| <b>Total</b>             | <b>\$ 306,953</b> | <b>\$ 1,365,757</b> | <b>\$ 679,839</b> | <b>\$ —</b>  | <b>\$ —</b>          | <b>\$ 2,352,549</b>  |

Balances due within 12 months equal their carrying amounts, as the impact of discounting is insignificant.

By December 31 of each year, the Commissioner must determine the total expenses incurred by the Agency during the preceding fiscal year for, or in connection with, the administration of the *Financial Consumer Agency of Canada Act* and the consumer provisions. The Commissioner then assesses each federally regulated financial entity a portion of these expenses, as determined by regulation or the financial assessment methodology of payment card network operators. Interim assessments are also possible. To temporarily fund expenses until entities are assessed, before March 31 of each year the Agency must seek Ministerial authority to borrow from the Consolidated Revenue Fund for the next fiscal year, up to a predetermined limit. The authority to borrow from the Consolidated Revenue Fund is granted under section 13 of the *Financial Consumer Agency of Canada Act*. For the year ended March 31, 2014, the Minister has approved up to \$10,000,000 (2013: \$10,000,000). All amounts borrowed must be repaid within one year. The Agency pays interest on the funds borrowed as described under "Interest rate risk."

As at March 31, 2014, FCAC used nil (2013: nil) of this facility. Refer to Note 1 for further information on FCAC's authority.

The liquidity of FCAC's financial assets is outlined in Note 7, "Trade and other receivables."

## Notes to the Financial Statements

For the year ended March 31, 2014

(In Canadian dollars)

### 16. Government funding

FCAC was granted a parliamentary appropriation of up to \$5,000,000 for the fiscal year ended March 31, 2014 (2013: \$2,000,000) to support, collaborate and coordinate its activities and efforts with stakeholders in order to improve and strengthen the financial literacy of Canadians. During the year ended March 31, 2014, FCAC spent an appropriation of \$2,171,266 (2013: \$2,000,000).

### 17. Deficiency

Accumulated Deficit—\$46,533 of Accumulated Deficit was created as part of FCAC's transition to IFRS from Canadian generally accepted accounting principles on April 1, 2010. This balance was reduced by \$32,564 as a result of operations during the year ended March 31, 2011, under IFRS. The balance has not changed since the transition to IFRS.

Capital Management—FCAC includes its Accumulated Deficit, entitled "Deficiency," in its definition of capital. FCAC is prohibited from issuing its own capital or its own debt to meet any capital requirements. FCAC operates on a cost recovery basis. Its objective when managing capital is to closely manage actual costs to those estimated and communicated to its paying stakeholders. Any operating shortfall or excess is factored into the assessments and fees charged to regulated entities in the following year. FCAC fully recovered all of its costs incurred in the year.

FCAC is not subject to any externally imposed capital requirement.

FCAC did not change its capital management objectives, policies or processes during the year ended March 31, 2014.

# Annex to the Statement of Management Responsibility including Internal Control over Financial Reporting (Unaudited)

Fiscal Year 2013–2014

## 1. Introduction

In support of an effective system of internal control, the Financial Consumer Agency of Canada (FCAC) annually assesses the performance of its financial controls to ensure:

- financial arrangements or contracts are entered into only when sufficient funding is available;
- payment for goods and services is made only when the goods or services are received or the conditions of contracts or other arrangements have been satisfied; and
- payments have been properly authorized.

FCAC will leverage the results of periodic Core Control Audits performed by the Office of the Comptroller General in fulfilling its oversight activities and executing its monitoring action plan.

## 2. Assessment results during fiscal year 2013–2014

In the current year, FCAC completed a design assessment and operational effectiveness testing of its revenue processes. Exceptions were found and an action plan has been created. Corrective action is currently underway as part of a management action plan.

## 3. Assessment plan

During 2013–2014, FCAC continued to make significant progress in assessing and improving its key controls.

FCAC completed a full assessment of its system of Internal Control Over Financial Reporting in 2013–2014. FCAC will now begin to leverage the Office of the Comptroller General's Core Control Audits in applying an ongoing monitoring plan to reassess control performance on a risk basis across all areas.

# Connect With Us

We offer a number of ways to connect with FCAC:

## Website

[fcac.gc.ca](http://fcac.gc.ca)

## Telephone (Consumer Services Centre)

Toll-free

1-866-461-3222

From the Ottawa area or from outside Canada

613-996-5454

## TTY (for persons with hearing impairment)

Toll-free

1-866-914-6097

From the Ottawa area or from outside Canada

613-947-7771

## Email

[info@fcac.gc.ca](mailto:info@fcac.gc.ca)

## Fax

Toll-free

1-866-814-2224

From the Ottawa area or from outside Canada

613-941-1436

## Twitter

[@FCACan](https://twitter.com/FCACan)

## YouTube

[FCACan / ACFCan](https://www.youtube.com/FCACan)

## Facebook

[facebook.com/FCACan](https://facebook.com/FCACan)

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